A/73/5/Add.12

United Nations

# United Nations Entity for Gender Equality and the Empowerment of Women

# Financial report and audited financial statements

## for the year ended 31 December 2017

## and

# Report of the Board of Auditors

**General Assembly**
**Official Records**
**Seventy-third Session**
**Supplement No. 5L**

Please recycle

**General Assembly**
Official Records
Seventy-third Session
Supplement No. 5L

A/73/5/Add.12

A/73/5/Add.12

**United Nations Entity for Gender Equality and the Empowerment of Women**

# Financial report and audited financial statements

**for the year ended 31 December 2017**

**and**

# Report of the Board of Auditors

United Nations • New York, 2018

*Note*

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0257-0815

[24 July 2018]

# Contents


| *Chapter* | | *Page* |
|---|---|---|
| | Letters of transmittal | 5 |
| I. | Report of the Board of Auditors on the financial statements: audit opinion | 7 |
| II. | Long-form report of the Board of Auditors | 10 |
| | Summary | 10 |
| | A. Mandate, scope and methodology | 14 |
| | B. Findings and Recommendations | 14 |
| | 1. Follow-up of previous years' audit recommendations | 14 |
| | 2. Financial overview | 14 |
| | 3. Governance, accountability and business transformation | 16 |
| | 4. Programme and project management | 18 |
| | 5. Human resources and payroll management | 23 |
| | 6. Information and communications technology | 24 |
| | C. Disclosures by management | 25 |
| | 1. Write-off of losses of cash, receivables and property | 25 |
| | 2. Ex gratia payments | 25 |
| | 3. Cases of fraud and presumptive fraud | 25 |
| | D. Acknowledgement | 25 |
| | Annex<br>Status of implementation of recommendations up to the year ended 31 December 2016 | 26 |
| III. | Certification of the financial statements | 39 |
| IV. | Financial report for the year ended 31 December 2017 | 40 |
| | A. Introduction | 40 |
| | B. Resource mobilization and funding status | 40 |
| | C. Major achievements, institution-building and progress on organizational effectiveness and efficiency in 2017 | 41 |
| | 1. Implementation of strategic priorities | 41 |
| | 2. Organizational effectiveness and efficiency | 44 |
| | 3. Transparency and accountability | 44 |
| | 4. External audit recommendations | 45 |
| | D. Financial performance | 45 |

V. Financial statements for the year ended 31 December 2017 ..... 51

I. Statement of financial position as at 31 December 2017 ..... 51

II. Statement of financial performance for the year ended 31 December 2017 ..... 52

III. Statement of changes in net assets/equity for the year ended 31 December 2017 ..... 53

IV. Statement of cash flow for the year ended 31 December 2017 ..... 54

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017 ..... 55

Notes to the financial statements ..... 56

## Letters of transmittal

### Letter dated 30 April 2018 from the Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors

Pursuant to financial rule 1202 of the United Nations Entity for Gender Equality and the Empowerment of Women, enclosed are the financial statements for the year ended 31 December 2017. These statements have been prepared and signed by the Director of Division of Management and Administration.

(*Signed*) Phumzile **Mlambo-Ngcuka**
Executive Director
United Nations Entity for Gender Equality
and Empowerment of Women

## Letter dated 24 July 2018 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the financial statements of the United Nations Entity for Gender Equality and the Empowerment of Women for the year ended 31 December 2017.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

# Chapter I

## Report of the Board of Auditors on the financial statements: audit opinion

### Opinion

We have audited the financial statements of the United Nations for Gender Equality and the Empowerment of Women (UN-Women), which comprise the statement of financial position (statement I) as at 31 December 2017 and the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the UN-Women as at 31 December 2017, and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UN-Women in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the financial statements and auditor's report thereon

The Executive Director is responsible for the other information, which comprises the financial report for the year ended 31 December 2017, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the financial statements

The Executive Director is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as

management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of UN-Women to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate UN-Women or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UN-Women.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UN-Women to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on other legal and regulatory requirements**

In our opinion, the transactions of UN-Women that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the UN-Women and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UN-Women.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

24 July 2018

# Chapter II
# Long-form report of the Board of Auditors

*Summary*

By its resolution 64/289, the General Assembly established the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). UN-Women provides guidance and technical support to all Member States, at their request, on gender equality, the empowerment and rights of women and gender mainstreaming. It is mandated to work in consultation with national machineries for women and civil society organizations and to operate as part of the Resident Coordinator system within the United Nations country team by leading and coordinating the team's work on gender equality and the empowerment of women. The Board of Auditors noted that UN-Women spent $338.62 million against total revenue of $378.25 million for the year ended 31 December 2017.

The Board of Auditors (the Board) has audited the financial statements and reviewed the operations of UN-Women for the year ended 31 December 2017, in accordance with General Assembly resolution 74 (I) and in conformity with the International Standards on Auditing (ISAs). The audit was carried out at United Nations Headquarters in New York and was preceded by interim audit field visits to Fiji, Mali, Ukraine, Uganda, Zimbabwe and the Regional Office for Asia and the Pacific in Thailand.

**Scope of the report**

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The report has been discussed with the management of UN-Women, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UN-Women as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of the financial systems and internal controls and a test examination of the accounting records and other supporting evidence, to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed the operations of UN-Women under financial regulation 7.5 of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The report also includes a brief commentary on the status of implementation of the recommendations of the previous year.

**Audit opinion**

The Board has issued an unqualified audit opinion on the financial statements of UN-Women for the year ended 31 December 2017, as reflected in chapter I.

**Overall conclusion**

The Board found no significant misstatements which can affect its opinion on the financial statements of UN-Women. The Board identified improvements in the areas of donor reporting, project closure, compliance with performance management and

development and the liquidation of partner advances. However, to ensure the efficiency and effectiveness of its programme and mandate delivery, the Board noted that UN-Women needs to address issues observed in the areas of financial management, governance, accountability and business transformation, programme and project management, human resources management and payroll management, as well as information and communications technology.

**Key findings**

The Board wishes to highlight the following key findings.

*Need to establish action plan/guidelines for making the entity inclusive of and accessible to staff with disabilities*

The current United Nations policy on employment and accessibility for staff members with disabilities (see A/71/344, para. 19) requires reasonable accommodation to be provided to staff members with disabilities to remove workplace barriers, thereby enabling them to effectively perform their official functions. However, during its evaluation of UN-Women's proactiveness towards compliance with that policy, the Board observed that UN-Women has no specific policy on matters relating to staff with disabilities. UN-Women informed the Board that its preference would be to finalize an action plan/guidelines rather than a policy as this will serve as a practical tool for directly implementing the necessary changes.

*Non-completion of fraud risks assessment*

UN-Women has developed a corporate plan to conduct fraud risk assessments for the entire organization and has rolled out fraud risk assessments for selected headquarters functions and five field offices.[a] However, the Board observed that there are no individual fraud risk assessment plans for any of the six field offices it visited, nor did the field offices conduct fraud risk assessment as required by the enterprise risk management guidelines. In additional, awareness training on fraud risk assessment to ensure that the approach and methodology are aligned with best practices has not yet been undertaken for staff. The Board is of the view that fraud risks assessments are necessary because cases of fraud could have a negative impact on the reputation of UN-Women and deter the achievement of its objectives.

*Assessment and selection of implementing partners*

In its previous report (A/72/5/Add.12), the Board raised concerns over deficiencies in the selection of implementing partners. The Board continued to note similar cases in five of the six field offices visited during the current audit, finding that the field offices engaged a total of 29 implementing partners without performing comparative screening to obtain the best three candidates for full assessment as required under annex B of the Programme and Operational Manual.[b] In addition, implementing partners assessment reports for all six field offices did not include the overall risk scores of the implementing partners after being assessed, which would have indicated the risk points and the implementing partner's overall risk assessments. The Board is of the view that partial assessment increases the risk of engaging partners with inadequate capacity to discharge the UN-Women mandate.

*Results of audit reports on funds advanced to implementing partners*

As of May 2018, a total of 237 implementing partners reports, with project expenditure of $28.3 million relating to the financial period ended 31 December 2017, had been submitted for the Board's review, of which 34 reports (14.4 per cent) had a qualified opinion and 1 report (0.4 per cent) had an adverse opinion. Those opinions

were mainly due to weaknesses identified during audits, including excessive use of cash payments, poor record-keeping and failure to submit quarterly financial reports, lack of audit trail, lack of basis for allocation of salary costs, absence of financial and procurement procedures and lack of competitive procurement processes. The deficiencies highlight the need for UN-Women to strengthen accountability in the field offices on assessing and monitoring implementing partners.

*Accumulated ineligible expenditure from the audit of implementing partners*

A total of $3.96 million was reported as ineligible expenditure from the audit of projects implemented by implementing partners for UN-Women. The ineligible expenditure was accumulated from 2012 to 2017 and UN-Women had recovered or received evidence for a total of $1.72 million (43 per cent) from implementing partners over that period. The Board considers that the level of ineligible expenditure indicates the need for UN-Women to have proper policy to address the underlying weaknesses in project management. The funds provided to implementing partners had been reported in accounts of related periods and therefore such policy should also guide the administration in proper accounting for ineligible expenditure in prior years, in line with IPSAS 19, in order to avoid misstatements in future financial statements.

**Recommendations**

With regard to the above findings, the Board recommends that UN-Women:

*Need for establishing an action plan/guideline for handling staff with disabilities*

(a) **Expedite the development of an action plan/guidelines to provide guidance across the organization for making it inclusive of and accessible to persons with disabilities;**

*Non-completion of fraud risks assessment*

(b) (i) **Continue its efforts to ensure that field offices comply with the fraud risk assessment plan developed by Headquarters and perform fraud risk assessments that will enable management to focus on mitigating actions designed to prevent and detect instances of fraud;**

(ii) **Continue to provide adequate awareness training for staff on fraud risk assessment to ensure that the approach and methodology are aligned with best practices;**

*Assessment and selection of implementing partners*

(c) (i) **Strengthen the process of selection of implementing partners and ensure that field offices conduct capacity assessments of implementing partners properly, in accordance with the requirements of the programme and operations manual;**

(ii) **Perform partner risk rating to identify the score for each implementing partner against the tolerable risk levels;**

*Results of external audit reports on funds advanced to implementing partners*

(d) **Strengthen the accountability of field offices for assessing and monitoring implementing partners by endeavouring to include key performance indicators related to the implementation of audit recommendations in respect of financial findings as part of the country office assessment tool;**

*Accumulated ineligible expenditure from the audit of implementing partners*

(e) (i) **Ensure that a conclusive assessment of the financial findings of the prior year's qualified audit report is conducted to determine the causes and prevent the recurrence of the weaknesses identified;**

(ii) **Consider introducing policies to address weaknesses in project management that lead to ineligible expenditure and guide the administration on proper accounting for the ineligible expenditure of prior years in order to avoid potential misstatements in future financial statements.**

[a] Europe and Central Asia Regional Office; West and Central Africa Regional Office; East and South Africa Regional Office; Nigeria country office; Somalia country office.

[b] Requires a detailed screening of potential partners in order to identify at least three candidates to be shortlisted for capacity assessment to be conducted.

| **Key facts** | |
|---|---|
| 6 | Regional offices |
| 5 | Multi-country offices |
| 48 | Country offices |
| 7 | Liaison offices |
| 40 | Programme presence countries |
| 816 staff | Employed by UN-Women |
| 1,277 non-staff | Non-staff personnel working for UN-Women |
| $370.61 million | Budget for 2017 |
| $378.25 million | Total revenue for the year 2017 |
| $338.62 million | Total expenses for the year 2017 |
| $29.91 million | Reserves as at 31 December 2017 |
| $360.65 million | Voluntary contributions for the year 2017 |
| $83.15 million | After-service health insurance, repatriation benefits and death benefits liability as at December 2017 |

## A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the year ended 31 December 2017, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly, in all material respects, the financial position of UN-Women as at 31 December 2017 and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). That included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies of UN-Women and whether revenue and expenses had been properly classified and recorded in accordance with the financial regulations and rules of UN-Women. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The audit was carried out at UN-Women headquarters in New York, country offices in Fiji, Mali, Uganda, Ukraine, Zimbabwe and the Regional Office for Asia and the Pacific in Thailand.

4. In addition to the audit of the financial statements, the Board carried out reviews of UN-Women operations in accordance with regulation 7.5 of the Financial Regulations and Rules of the United Nations. In carrying out the audit, the Board also coordinates with the internal audit unit in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that can be placed on the latter's work.

5. The present report covers matters that the Board considers should be brought to the attention of the General Assembly. The report was discussed with UN-Women and the views of management have been appropriately reflected.

## B. Findings and recommendations

### 1. Follow-up of previous years' audit recommendations

6. Of the 25 recommendations outstanding as at 31 December 2016, 21 recommendations (84 per cent) have been implemented and 4 recommendations (16 per cent) are still under implementation. Although the implementation rate of audit recommendations is satisfactory, the Board urges UN-Women to put more effort into addressing recommendations that have not been fully implemented. Details on the status of implementation of these recommendations are set out in the annex.

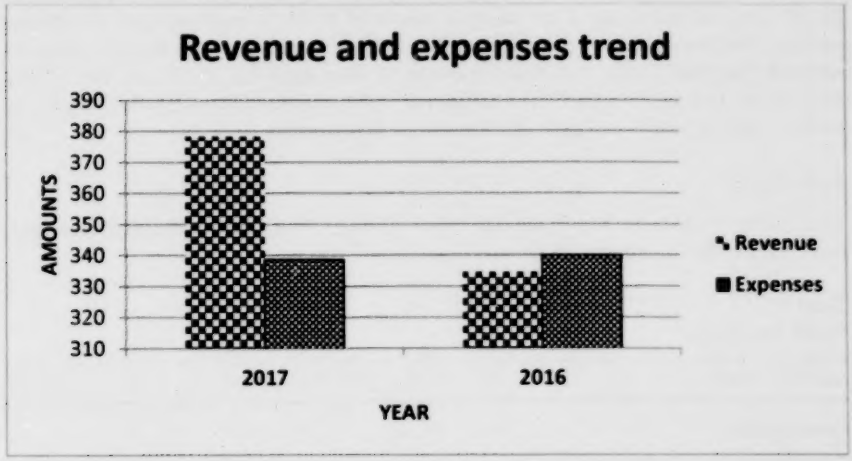
### 2. Financial overview

*Financial performance*

7. Total revenue during the year under review was $378.25 million (2016: $334.57 million) against total expenses of $338.62 million (2016: $340.04 million), resulting in a surplus of $39.63 million (2016: deficit of $5.47 million). The recorded surplus resulted from an increase in revenue from donors of 13 per cent while expenses

declined by 0.4 per cent in 2017 as compared to 2016. A comparison of revenue and expenses for the financial years 2016 and 2017 is illustrated in figure II. I.

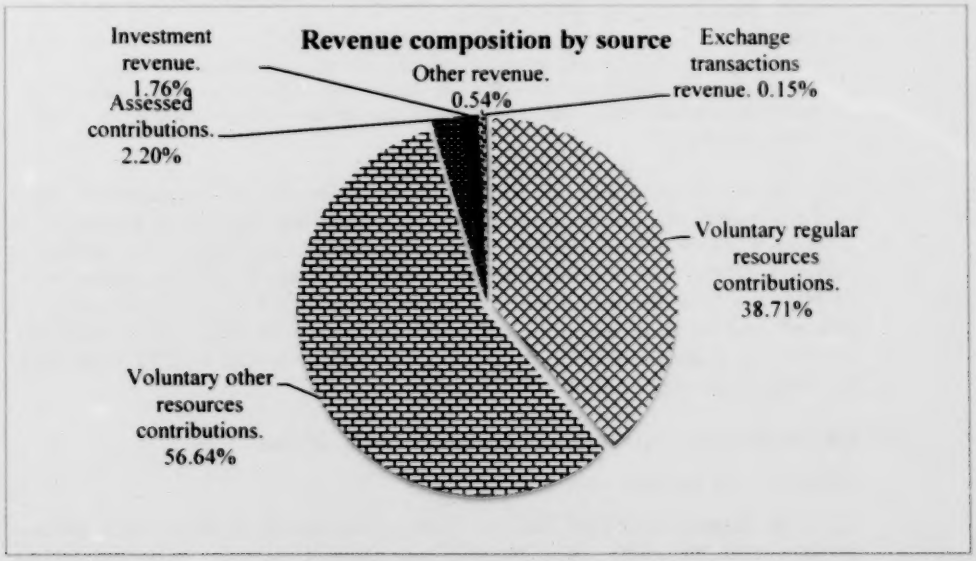
Figure II.I
**Financial performance pattern for 2016 and 2017**




*Source*: Board analysis of UN-Women financial statements for 2017.

8. Voluntary contributions form a major part of UN-Women revenues. Of the reported revenue of $378.25 million (2016: $334.57 million), voluntary contributions amounted to $360.65 million (2016: $319.74 million), equivalent to 95.35 per cent of total revenue, an increase of 12.8 per cent in voluntary contributions compared with the previous year. Figure II.II illustrates the sources of revenue for 2017.

Figure II.II
**2017 Revenue by source**




*Source*: Board analysis of UN-Women financial statements for 2017.

*Financial position*

9. UN-Women had total assets of $507.69 million and total liabilities of $124.81 million. Of its total assets, $175.34 million, equivalent to 34.54 per cent, represented balances in cash and cash equivalents and short-term investments. Current assets amounted to $267.99 million against current liabilities of $43.44 million, resulting in net current assets of $224.55 million. The significant excess of current assets over current liabilities demonstrates good short-term financial strength. In 2017, cash and cash equivalents decreased by 29.51 per cent, from $100.98 million in 2016 to $71.18 million in 2017, owing to classification of part of cash in bank accounts and cash equivalents as investments.

*Ratio analysis*

10. Table 1 contains key financial ratios derived from the financial statements, mainly from the statements of financial position.

Table 1
**Ratio analysis**

| *Description of ratio* | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Current ratio**[a] | | |
| Current assets: current liabilities | 6.17 | 7.95 |
| **Total assets: total liabilities**[b] | | |
| Assets: liabilities | 4.07 | 4.17 |
| **Cash ratio**[c] | | |
| Cash plus investments: current liabilities | 4.04 | 6.55 |
| **Quick ratio**[d] | | |
| Cash plus investments plus accounts receivable: current liabilities | 4.99 | 6.78 |

*Source*: Board analysis of UN-Women financial statements as at 31 December 2017.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

11. The analysis indicates that while all ratios declined in 2017 compared to those of the previous year, UN-Women remained in a good liquidity position and can meet its short-term obligations. The decline in ratios is mostly attributed to the increase in current liabilities by 4.24 per cent compared to a significant decrease in current assets of 19.09 per cent. The decrease in current assets resulted from the classification of part of cash in bank accounts and cash equivalents as long-term investments. UN-Women's cash and investments of $175.34 million (2016: $272.77 million) continued to provide a high level of liquidity.

## 3. Governance, accountability and business transformation

*Enterprise risk management*

12. The Board's review of the UN-Women enterprise risk management process revealed that the entity faces internal and external risks, such as programme monitoring and evaluation, strategic, corporate governance and communication and

reputational risks, as well as risks to stakeholders' relations, which need to be properly managed in order to ensure the achievement of expected results as articulated in the strategic plan and the strategic notes/annual workplans.

13. In addition, the Board has identified that substantial progress has been made in the enterprise risk management process within UN-Women, although there are areas in need of improvement as indicated below.

*Non-completion of fraud risks assessment*

14. Paragraph 5.2 of the enterprise risk management guidelines requires UN-Women to assess organizational risks, including fraud risks, in order to ensure the achievement of significant results from the pursuit of UN-Women's strategies and objectives. At the time of the final audit, the Board noted that UN-Women had developed an organization-wide fraud risk assessment plan and had rolled out fraud risk assessments for selected headquarters functions and six field offices.[1] However, none of the six field offices visited by the Board had assessed and identified fraud risks.[2] Consequently, the related risks mitigation measures had not yet been established. The Board also noted that no individual fraud risk assessment plans[3] had been developed for field offices and fraud risk assessments had not been conducted at any of the six field offices visited. In addition, fraud assessment awareness training had not been provided to staff to ensure the existing approach and methodology is aligned with best practices.

15. UN-Women explained that the anti-fraud framework had been approved and communicated to all staff on 30 April 2017 and consequently, guidance had been communicated to field offices on rolling out fraud risk assessments, which would be done in phases, starting with headquarters and selected field offices. UN-Women also stated that it is cognizant of the need for adequate awareness training and expects to roll out in 2018 an online fraud training course being developed jointly with other United Nations agencies. Full roll-out of the fraud risk assessment tool that has been automated is expected to be completed by all risk units across the organization by the end-2019 and on a cyclical basis going forward.

16. The Board considers that risk assessment is crucial for forecasting the consequences of risks, ranking the risks identified, designing a risk mitigation plan and setting a time frame for addressing risks. The Board is also of the view that fraud risks may have a negative impact on the reputation of UN-Women and deter the achievement of its objectives.

17. **UN-Women agreed with the Board recommendation to (a) continue with its efforts to ensure that field offices comply with the fraud risk assessment plan developed at its headquarters and perform fraud risk assessments that will enable management to focus on mitigating actions designed to prevent and detect instances of fraud; and (b) continue to provide adequate awareness training for staff on fraud risk assessment to ensure that the approach and methodology are aligned with best practices.**

[1] Europe and Central Asia Regional Office; West and Central Africa Regional Office; East and South Africa Regional Office; Nigeria country office; Somalia country office.

[2] Identification, assessment and mitigation measures were done for other risks, such as programme monitoring and evaluation, strategic, corporate governance and communication risks, as well as risks to stakeholders' relations.

[3] A UN-Women corporate risk assessment plan was developed in December 2016.

*Advisory and monitoring role on risk assessment*

18. The Board found that the UN-Women Fiji multi-country office[4] did not perform its advisory and monitoring role on risk assessment for the country offices under its jurisdiction, as required under the enterprise risk management guidelines.

19. UN-Women explained that the Fiji multi-country office will review its enterprise risk management processes in order to better document how its country offices are consulted in the development of the risk register. This exercise will enable the multi-country office to reflect clearly in its registry the risks that are common to all countries under its jurisdiction and those that are limited to specific countries where the multi-country office has a programmatic presence. The multi-country office will also engage on a quarterly basis with the country offices to ensure that risk profiles are updated and to review progress made in the mitigation of risks and implementation of agreed actions.

20. The Board considers it crucial that the Fiji multi-country office provide clear timelines for actions to be taken to address the weaknesses identified. In addition, the lack of proper review and of advisory and monitoring mechanisms for risk assessment processes needs to be addressed as it increases the risk of not achieving the expected corporate enterprise risk management objective.

21. **The Board recommends that the UN-Women Fiji multi-country office establish a mechanism and timelines to ensure that it advises and monitors the risk assessment processes in the countries under its jurisdiction in order to facilitate the achievement of corporate enterprise risk management objectives.**

## 4. Programme and project management

*Inadequate use of Results Management System*

22. UN-Women results-based management processes are implemented through the Results Management System (RMS), which aims to link activities in the strategic note/annual workplan for country offices with the Atlas system (enterprise resource planning) that processes all financial data. The aim of this link is to provide a synergy between activities, budgets and expenditure, as well as budget utilization on a regular basis in order to give a broad picture of performance of the entity.

23. On the basis of a comparison of the budget utilization report from Atlas with the RMS report as of November 2017, the Board noted inconsistence in the information from the two reports at all six field offices visited in the areas of budgets, expenses, encumbrances and advances, which should be consistent between the reports. For example, the differences in the budget utilization rates, which show how much has been spent in relation to the budget, are shown in table 2.

Table 2
**Budget utilization as shown by RMS and Atlas**

| *Regional or country office* | *RMS* | *Atlas* |
|---|---|---|
| Regional Office for Asia and the Pacific | 53% | 100% |
| Fiji country office | 38.01% | 73.74% |
| Mali country office | 77.11% | 61.34% |
| Uganda country office | 95% | 90% |

[4] Covers 14 countries in which it operates in different environments and is exposed to different risks.

| *Regional or country office* | *RMS* | *Atlas* |
|---|---|---|
| Ukraine country office | 36% | 64% |
| Zimbabwe country office | 100% | 94% |

*Source*: Records extracted from RMS and Atlas.

24. The Board found that the inconsistencies were mainly due to the manual data input in RMS since RMS is not directly mapped to Atlas. The incorrectly mapped activities from those processes require manual intervention, but owing to delayed reconciliation the differences occur.

25. Management informed the Board that UN-Women will continue to make the necessary adjustments and improvements to RMS in order to establish a robust system that will ultimately provide information on the planning, monitoring and reporting against the strategic notes and annual workplans. UN-Women also explained that the process of improving the linkages between RMS and Atlas is due to be completed by end-2018 and the scoping of automation requirements is expected to be finalized by the second quarter of 2018 (subject to the availability of funds).

26. However, the Board considers that UN-Women needs to expedite the integration of the financial information in Atlas with the RMS tool to ensure that RMS provides up-to-date information that is useful for decision-making by management and other stakeholders.

27. **UN-Women agreed with the Board recommendation to improve the link between the RMS tool and Atlas so that the information in RMS is up to date in order to facilitate timely and accurate decision-making.**

*Need for review of grants management policy*

28. Paragraph 9 of the programme and operations manual on cash advances requires UN-Women to designate a grant fund to support innovative and strategic initiatives of non-governmental organizations (NGOs) within the context of a larger project that is managed directly by UN-Women.

29. The Board noted that the Ukraine country office was directly implementing five projects with an annual budget of $3.8 million. The five projects included one project under a joint programme with a budget of $1.3 million, including a component with an annual budget of $0.6 million that was being implemented by an implementing partner. The amount of $0.6 million included $0.3 million that the implementing partner was supposed to issue in the form of grant to community-based organizations in areas where the project was being implemented. However, the use of an implementing partner in such a case is contrary to the programme and operations manual, which requires grants to be managed directly by UN-Women. In addition, the Board is of the view that the use of the joint programme funds by the country office to issue grants contradicts the application of grants modality (as described in the manual) because the joint programme is not a trust fund.

30. UN-Women informed the Board that it is in the process of developing a grant policy that will elaborate on the provisions of the current programme and operations manual in order to provide more guidance on the management of grants. The policy and associated agreement template was expected to be completed by the second quarter of 2018.

31. **UN-Women agreed with the Board recommendation to expedite the review of its grants modality in the programme and operations manual in order to provide more clarity on grants management.**

*Assessment and selection of implementing partners*

32. The programme and operations manual[5] requires detailed screening to be conducted of potential implementing partners in order to identify at least three candidates to be shortlisted for capacity assessment. Also, UN-Women offices are required to maintain mandatory documents and files of implementing partners that clearly indicate the justification for selection of a specific partner and how the office intends to monitor its implementing partners.

33. During the review of the implementing partners assessment and selection at five out of six field offices visited, the Board observed the following issues which need management attention:

(a) A total of 29 (74 per cent) of 39 implementing partners (NGOs) at five of the field offices visited[6] were selected without a comparative capacity assessment to obtain the best three candidates, contrary to the requirement of the programme and operations manual. The offices were assessing only one NGO to be selected as an implementing partner;

(b) Uganda country office was not using the standardized template for capacity assessment, as required by the programme and operations manual, but was using a template that was not detailed enough to include the mandatory assessment questions stipulated in the corporate assessment checklist. In addition, there were no mandatory supporting documents[7] to confirm that capacity assessment had been conducted prior to the selection of 7 (47 per cent) out of 15 NGOs selected as implementing partners at the country office;

(c) The implementing partners' assessment reports at all six field offices did not indicate the overall risk scores of the implementing partner after being assessed, which would have been the basis for either selecting or not selecting the partners because the overall risk scores represent the risk points and the implementing partner's overall risk assessments.

34. UN-Women attributed the deficiencies identified by the Board to various factors, such as reliance on previous experience with implementing partners; inheritance of implementing partners from the United Nations Development Fund for Women; assessment conducted by other United Nations agencies that had worked with the partners; and limited responses from implementing partners to calls for proposals. UN-Women also assured the Board that the introduction of the revised programme and operations manual in August 2017 has strengthened the process of selecting implementing partners and that it will be conducting webinars in the second quarter of 2018 to train and increase the capacity of field offices to implement the improved processes introduced under the revised manual.

35. The Board is of the view that field offices need to comply with the established capacity assessment guidelines and maintain consistency in the assessment and documentation of selection processes. Such initiatives are necessary because deficiencies in assessment increase the risk of engaging partners with inadequate capacity to discharge UN-Women's core mandate.

36. **The Board recommends that UN-Women (a) strengthen its compliance with the implementing partners selection process and ensure that its field offices**

[5] Annex B of the manual describes the process for selecting implementing partners.

[6] Mali country office: 9; Ukraine country office: 1; Zimbabwe country office: 1; Uganda country office: 15; Regional Office for Asia and the Pacific: 3.

[7] The missing information included registration documents; written organizational, financial and administrative rules and regulations; procurement and subcontracting rules; standard operating procedures; and external audit reports.

**conduct capacity assessment of implementing partners in a proper manner, in accordance with the requirements of the programme and operations manual; and (b) perform partner risk rating to identify the score for each implementing partner against the tolerable risk levels.**

*National implementation modality/NGO audits*

37. Paragraph 3 (l) of the audit approach chapter in the programme and operations manual states that the estimated start date the audit should be the fourth week of February following the audit year, with final audit reports to be submitted no later than 30 April in time for the Board's year-end financial audit of UN-Women corporate financial statements. The manual stipulates that the action plans and audit reports should be uploaded to the designated UN-Women extranet for easy accessibility. However, during its audit for the period ended 31 December 2017, the Board found a number of deficiencies that need management attention for improvement, as set out below.

*(i) Submission of project audit reports by global auditor*

38. Of the 244 implementing partner's audit reports for 2017, a total of 237 reports (97 per cent) had been uploaded to the UN-Women extranet for the Board's review, while 7 reports (3 per cent) with a value of $2.2 million had not been uploaded as of 21 May 2018 owing to late finalization of the audits by the global auditor. The Board noted that a total of 51 (22 per cent) of the 237 uploaded reports had been submitted late, with delays ranging from 4 to 21 days.

*(ii) Results of external audit reports on funds advanced to implementing partners*

39. Of the 237 uploaded reports (project expenditure amounting to $28.3 million), 137 reports (57.8 per cent) had an unqualified opinion with emphasis of matter, 65 reports (27.4 per cent) had an unqualified opinion, 34 reports (14.4 per cent) had a qualified opinion and 1 report (0.4 per cent) had an adverse opinion. The reports also included total ineligible expenditure of $0.52 million (1.8 per cent of the total project expenditure). The weaknesses identified in the reports were mainly the excessive use of cash payments, poor record-keeping, late submissions of quarterly financial reports, lack of audit trail, lack of basis for allocation of salary costs, absence of financial and procurement procedures and lack of competitive procurement processes.

*(iii) Accumulated ineligible expenditure from the audit of implementing partners*

40. The external auditors of the project implemented by UN-Women through implementing partners also reported ineligible expenditure of $3.96 million that was accumulated from 2012 to 2017. Of this amount, $1.72 million had either been recovered or the supporting documentation submitted to the global auditor for verification and closure, while the balance of $2.25 million remained outstanding as at 31 December 2017.

41. UN-Women explained that the updated guidance (used from 2017) will ensure that partners selected are those that have strong controls in place for mitigating the risk of unsupported amounts. In addition, a policy to determine the provisions of the prior year's ineligible expenditure as reported by the NGO/national implementation modality project auditors will be established.

42. The Board is of the view that the weaknesses identified highlight the lack of a comprehensive automated system and the low level of accountability in country offices, both of which need to be addressed to ensure that implementing partners are assessed and managed properly. The Board also considers that the level of ineligible

expenditure indicates the need for UN-Women to urgently deal with the underlying weaknesses in project management. The funds provided to implementing partners were accounted for in the related periods and therefore proposed policy should also guide the administration on proper accounting for ineligible project expenditure in prior years.

43. **UN-Women agreed with the Board recommendation to (a) work closely with the global auditors to review the audit process in order to ensure that project audit reports are submitted on time; and (b) strengthen accountability in field offices for the assessment and monitoring of implementing partners by endeavouring to include key performance indicators for the implementation of audit recommendations on financial findings as part of the country office assessment tool.**

44. **The Board further recommends that UN-Women (a) ensure that conclusive assessments of the prior year's qualified audit report financial findings are conducted to determine the causes and prevent recurrence of the weaknesses identified; and (b) consider introducing policies that address weaknesses in project management that lead to ineligible expenditure and that guide the administration on proper accounting fo ineligible expenditure in prior years to avoid potential misstatements in the financial statements.**

*Inadequate use of Global Accountability and Tracking of Evaluation system*

45. Paragraph 5.6 of the evaluation chapter of the programme and operations manual requires that all evaluations reports be posted and made publicly available in the Global Accountability and Tracking of Evaluation (GATE) system and that management response be mandatory for all evaluations and be entered into the GATE website within six weeks of receiving the final evaluation report.

46. However, from its review of the use of the GATE system, the Board noted the following matters that need management attention for improvement:

(a) A total of 26 management responses (68 per cent) of the 38 evaluations completed in 2017 were uploaded by the respective UN-Women offices/divisions into the GATE system after delays ranging from 7 to 285 days;

(b) A total of 106 recommendations were issued by the evaluation team for implementation during the year 2017 and the first quarter of 2018 (out of the 38 evaluations conducted). However, 72 of the 511 key management actions performed were overdue and no action had been taken on them prior to the agreed deadline of December 2017. Further, despite the management responses provided, three recommendations did not indicate key actions to be taken by management;

(c) Management responses to four evaluations completed in 2017 had yet to be uploaded in the GATE system as of 29 May 2018.

47. UN-Women informed the Board that it will ensure greater oversight of the implementation of evaluation recommendations in 2018 after the restructuring of the Program Division is finalized. In addition, UN-Women explained that through the country office assessment tool, the entity is able to monitor the status of implementation of evaluation recommendations.

48. While the Board acknowledges the management initiatives, it is of the view that a strengthened focus on the part of UN-Women is needed to ensure that the envisaged benefits from the use of the GATE system are realized through compliance with the policy in place.

49. **UN-Women agreed with the Board recommendation to enforce the use of the GATE system by updating information on the response of management to**

**evaluation reports in a timely manner and to strengthen oversight of the implementation of evaluation recommendations.**

## 5. Human resources and payroll management

*Need to establish action plan/guidelines for handling staff with disabilities*

50. The current United Nations policy on employment and accessibility for staff members with disabilities (see A/71/344, para. 19) requires reasonable accommodation to be provided to staff members with disabilities as well as the removal of workplace barriers, thereby enabling them to effectively perform their official functions. It also sets out measures for creating a non-discriminatory and inclusive working environment for staff members with disabilities and provides for their access to facilities, employment opportunities and the availability of reasonable accommodation for staff members with disabilities.

51. The Board's assessment of UN-Women's readiness to comply with the recommendations of the report of the Secretary-General towards the full realization of an inclusive and accessible United Nations for persons with disabilities (A/71/344) revealed that UN-Women has not established a specific policy or an action plan/guidelines in this regard. UN-Women informed the Board that it is in the process of drafting its guidelines and an action plan on the inclusion of staff with disabilities for approval by the executive leadership team and that the consultative process will include an accessibility survey of existing personnel with disabilities, consultations with other United Nations entities and research on best practices, as well as interdivisional consultations. Further consultations with other United Nations entities, UN-Women informed the Board that its preference would be to finalize an action plan/guidelines rather than a policy as this would serve as a practical tool for directly implementing necessary changes.

52. **UN-Women agreed with the Board recommendation to expedite the development of an action plan/guidelines that will provide guidance across the organization for making it inclusive of and accessible for persons with disabilities.**

*Need for individual consultant monitoring tool*

53. Paragraph 2.3 of the special service agreement explains that the administration of the agreement is automated under Atlas and shall include a database to be set at each business unit level, along with all the forms necessary for initiating engagement, maintaining personal data on candidates, monitoring contractual status and reporting on the use of special service agreements issued by offices.

54. However, the Board found that UN-Women lacked a global monitoring tool, which could have enabled it to monitor and verify individual consultants from the system rather than via manual documents that are normally specific to a given regional, multi-country or country office.

55. UN-Women stated that it will conduct an analysis of requirements and a feasibility study to sufficiently address the identified needs, while taking into consideration the limited available resources, the organizational impact and other organizational priorities.

56. While the Board acknowledges the management response, it is of the view that the establishment of a global individual consultants monitoring tool is important to support proper managerial decisions in hiring, supervision, measurement of specific output of individual consultants.

57. **The Board recommends that after a feasibility assessment, UN-Women consider establishing a global individual consultants monitoring tool to record key details on the hiring of consultants, including such information as analysis of total hiring cost, performance measurement and supervisor's comments at every stage of the assignment, based on the agreements made with each individual consultant.**

## 6. Information and communications technology

*Disaster recovery plan*

58. The Board reviewed management of the disaster recovery plan at UN-Women headquarters and visited the back-up site on 25 May 2018. The Board observed the following issues which need management actions for improvement:

(a) The disaster recovery plan does not include a clear reference to the configuration management database that tracks the inventory of hardware and system software, such as operating systems, storage and network equipment;

(b) Section 15.2 of the disaster recovery plan requires disaster recovery teams to refrain from conducting their tasks from the disaster site in the test scenario and from utilizing infrastructure hosted at that site. However, the Board noted that disaster recovery tests were performed contrary to such requirements as the tests performed were a walk-through disaster recovery plan exercise, a table-top exercise covering the loss of UN-Women headquarters site, the loss of the Azure primary data centre, a cyber-attack scenario and a parallel recovery test of an application hosted in Azure;

(c) The plan does not explicitly list the four new applications/websites launched in 2017: the African Women: Changing the Narrative website, the High-level Panel for Women's Economic Empowerment portal, the Flagship Programme Initiative gender data portal and the HeForShe Arts Week 2017 website.

59. The Board is of the view that UN-Women needs to correct the issues noted because in case of any disaster, it may not be able to resume in a timely manner the operation of ICT systems not covered by the plan, which may lead to loss of business and donor confidence.

60. **The Board recommends UN-Women (a) set a clear reference of the plan to configuration management database; (b) review the backup procedure for headquarters data centre and conduct the backups as per Disaster Recovery plan; and (c) update the Disaster recovery plan when new applications/websites are added.**

*Lack of information and communications technology strategy*

61. UN-Women was using an ICT strategy implemented between 2016 and 2017 and as of May 2018 had not yet developed a new ICT strategy aligned with its overall strategy. Management informed the Board that UN-Women plans to align the end-year of the ICT strategy with the UN-Women strategic plan and that work on the ICT strategy started in September 2017 and is expected to be completed in July 2018.

62. While the Board acknowledges the management response, it is of the view that the lack of an ICT strategy that is consistent with its current overall strategy increases the risk that UN-Women may lack organization-wide agreement on the future direction of its ICT investments.

63. **The Board recommends that UN-Women expedite the development of a new ICT strategy aligned with its overall strategy.**

## C. Disclosures by management

### 1. Write-off of losses of cash, receivables and property

64. In accordance with regulation 21.1, UN-Women informed the Board that losses of receivables had been written off in the amount of $212,789.

### 2. Ex gratia payments

65. In accordance with regulation 20.6 of its financial regulations and rules, UN-Women informed the Board that no ex gratia payments had been paid in 2017.

### 3. Cases of fraud and presumptive fraud

66. UN Women informed the Board that five cases of presumptive fraud were under investigation as at 31 December 2017, as described further below.

67. During 2017, six cases of fraud and presumptive were reported to the Office of Audit and Investigation. As at 31 December 2017, three of these cases were closed and substantiated, two cases involved no financial loss and one case concluded that financial loss may have been suffered by the insurance company. Three cases remain under investigation.

68. Four cases of fraud and presumptive reported in 2016 were carried forward in 2017. As at 31 December 2017, three of these cases were closed and substantiated with no financial loss and one case remains under investigation.

69. Two cases of fraud and presumptive reported in 2015 were carried forward in 2017. As at 31 December 2017, one of these cases was closed and substantiated; the financial loss was suffered by the insurance company. One remaining case was under investigation.

70. UN-Women informed the Board that the above-mentioned information is provided on the understanding that fraud and presumptive fraud cases are those with a potential financial impact relating to procurement fraud, theft and embezzlements and entitlements fraud.

## D. Acknowledgement

71. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and her staff.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor-General of India
Chair of the Board of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor-General
of the United Republic of Tanzania
(Lead Auditor)

*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

24 July 2018

# Annex

## Status of implementation of recommendations up to the year ended 31 December 2016

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| 1 | 2014 | A/70/5/Add.12, para.15 | UN-Women agreed with the Board's recommendation that it ensure that (a) all relevant data are available at the time of the preparation of the annual Workplan; and (b) all field offices establish baselines and targets for all expected outputs, outcomes and indicators in the annual workplans as required by the programme and operations manual. | UN-Women developed a result-tracking system to track progress towards implementation of the annual workplan. As part of its 2018 workplan guidance, UN-Women has incorporated the importance of baselines, while as part of its 2018 workplan approval, it has ensured that baselines and targets are available. | The Board noted the improvements in the 2017 annual workplan and baselines and noted that the targets had been incorporated as required at all six field offices visited in the 2017 audit cycle. | | X | | |
| 2 | 2015 | A/71/5/Add.12, para. 22 | The Board recommends that UN-Women strengthen asset management controls in the field by:<br>(a) continuing training on the management of assets to address the deficiencies identified; (b) provide central oversight reviews on a monthly basis of asset management reports to ensure that serial numbers are correctly entered; and<br>(c) investigate why Atlas module software controls could not prevent the occurrence of duplicate serial numbers within the same business unit. | Trainings and webinars on the asset management are being provided on a regular basis and recordings are uploaded on the SharePoint site (October 2017, November 2017, January 2018 and April 2018). Monthly reconciliation of the property, plant and equipment interface files, system journal entries and a monthly review of the asset register are being conducted. In addition, the Atlas asset management module prevents the entry of a duplicate serial number and a duplicate serial number query is being conducted on a periodic basis. | The Board observed that training on asset management was provided to all asset focal points and other staff members of UN-Women. In addition, there was an improvement in the recording of assets in the in-service report. | | X | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| 3 | 2015 | A/71/5/Add.12, para. 36 | The Board recommends that UN-Women expedite the revision of the programme and operations model and the related business process review, so that the inconsistencies and ambiguous language in annex D of the manual (programme and project formulation) are addressed and cleared up in a timely manner. | The revised programme and operations manual was launched on 8 August 2017 and also addressed the inconsistences noted in previous Board reports. | The revision of the programme and operations manual had been finalized and the recommendation had been addressed. | X | | | |
| 4 | 2015 | A/71/5/Add.12, para. 50 | The Board recommends that UN-Women improve the quality of the data maintained in Atlas regarding the status of projects. | UN-Women provides dashboard for use by all offices to ensure the accuracy of data on the status of projects in Atlas. A review of accuracy had been conducted by the project closure working group, including participation by each regional office. Regular follow-up of country offices/sections had been provided to ensure compliance with accurate data in Atlas in recording the status of projects. | The Board is satisfied with management efforts in cleaning Atlas data. | X | | | |
| 5 | 2015 | A/71/5/Add.12, para. 56 | The Board recommends that UN-Women further improve its integrated budget and enhance its results-based budgeting in line with the harmonization requirements of UNDP, UNFPA and UNICEF. | UN-Women remains aligned with the harmonized results-based budgeting and cost classification methodology as applied by UNDP, UNFPA and UNICEF. The 2018–2019 integrated budget was prepared with strengthened linkages between results and resources, and using results-based budgeting methodology in line with the harmonization requirements of UNDP, UNFPA and UNICEF. | The Board reviewed the approved integrated budget 2018–2019 and found it to be in line with results-based budgeting requirements. | X | | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| 6 | 2016 | A/72/5/Add.12, para. 15 | UN-Women agreed with the Board's recommendation that it comply with advance regulations to ensure that advances are recovered promptly through payroll and corrective actions are taken in a timely manner. | A new staff advances page has been setup on the financial management SharePoint site. Finance section bimonthly reconciliations for all staff advance general ledger accounts are published for offices to refer to. Month-end closure instructions have been amended for country offices to upload reconciliations for regional offices to review. | The Board observed that there were still cases of delays in recovering advances during the current audit. | | X | | |
| 7 | 2016 | A/72/5/Add.12, para. 20 | UN-Women agreed with the Board's recommendation that it establish comprehensive follow-up plans for risk mitigation actions to enable the establishment of long-term methodologies, monitoring of actions taken, criteria and risk matrices and a time frame for addressing the established risks. | The automated risk validation tool was rolled out to all risk focal points in February 2018 and is now operational. This tool requires all risk focal points to validate risks on a quarterly basis and to ensure that related mitigating actions have been monitored, while also considering any additional actions that may be required. In addition to the input for the focal points, risk owners also have a duty to ensure that any changes made to the risk profile have been correctly made. | The new automated risk validation tool had been rolled out and the Board did not note any cases of non-follow-up of risk mitigation actions at all the six country offices visited in the 2017 audit cycle. | | X | | |
| 8 | 2016 | A/72/5/Add.12, para. 26 | The Board recommends that UN-Women (a) finalize the appointment of country office representatives and (b) find a means to catalyse the negotiations regarding standard basic assistance agreements, to enable offices to exercise full powers and privileges in raising and using resources for programmes and projects. | The Division of Management and Administration and the Programme Division have issued guidance on establishing host country agreements. The Programme Division, in collaboration with the Division of Management and Administration legal team, has conducted a review of all outstanding standard basic assistance agreements and is following up with offices. UN-Women recently completed | The Board noted the action taken by UN-Women in issuing guidance and following up with the host Governments to ensure that standard basic assistance agreements are signed. | | X | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| | | | | an analysis of its geographical footprint and the status of accompanying agreements with relevant host governments. | | | | | |
| 9 | 2016 | A/72/5/Add.12, para. 30 | UN-Women agreed with the Board's recommendation that it develop and disseminate finance policies and procedures for engaging in activities on an urgent basis and in crisis environments. | Fast-track cash payments were implemented on 8 August 2017 and rapid-response procurement procedures launched on 11 October 2017. The human resources component of rapid-response procedures was implemented in Q2-2017. | The recommended fast-track procedures were developed and are in use. | | X | | |
| 10 | 2016 | A/72/5/Add.12, para. 36 | UN-Women agreed with the Board's recommendation that it (a) review the service-level agreement with UNDP and incorporate a clause on mandatory assessment of the services rendered; and (b) regularly review service-level agreements and assess the services rendered in order to enhance the realization of best value from the services provided. | Mandatory regular assessment of services rendered is already part of the current standard service-level agreement format. UN-Women has performed a review and an assessment of services rendered by UNDP to UN-Women for 2017 in line with the Board's recommendation. The 2017 assessments of UNDP services by field offices have been completed in line with the service-level agreement. | The 2017 assessment of services rendered by UNDP was done in accordance with the key performance indicators established and there were no similar findings at the six field offices visited during the current audit. | | X | | |
| 11 | 2016 | A/72/5/Add.12, para. 42 | UN-Women agreed with the Board's recommendation that it: (a) ensure that the selection of implementing partners is strengthened and the requirements of the programme and operations manual regarding the selection process are adhered to; and (b) perform partner risk rating to identify the score for each | The revised programme and operations manual was launched on 8 August 2017; it outlined the call for proposal process. | During the current audit, the Board observed the assessment weaknesses in question to be still in existence. For example, in the interim audit the Board noted cases in which assessment of the capacity of implementing partners had not been competitively carried out, as well as instances of supporting documents for assessments not being | | | X | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| | | | implementing partner against the tolerable risk levels. | | retained. The Board is still awaiting the implementation of the policy chapter. | | | | |
| 12 | 2016 | A/72/5/Add.12, para. 48 | The Board recommends that UN-Women: (a) issue a guidance note to field offices for documenting the whole process of determining support cost rates with implementing partners, including the criteria or basis to apply when negotiating support cost rates; and (b) follow up with the field offices to ensure that budget and expenditure codes are specified for the contingent funds. | UN-Women explained that as part of the overall revision of the programme and operations manual in 2016, steps had been taken to strengthen guidance and clarify the allowable support costs for implementing partners. UN-Women had revised the project cooperation agreement with regard to support costs. The revised agreement has a cap of support costs in keeping with UN-Women's cost recovery policy. | Guidance was provided to field offices on factors to be considered in allocating supporting costs. Similar cases were not reported in the current audit. | X | | | |
| 13 | 2016 | A/72/5/Add.12, para. 53 | The Board recommends that UN-Women: (a) take steps to improve the completion rate of activities under the integrated monitoring, evaluation and research plan in its field offices; and (b) ensure that the monitoring, evaluation and research plan clearly identifies the activities to be achieved with the proposed funding and sets realistic target dates for starting and completing the activities under the plan. | The pro rata implementation of planned evaluations increased from 76 per cent in 2015 to 85 per cent in 2016 and during 2016 a new training module on the monitoring framework was designed as part of the results based management training package to improve monitoring and evaluation skills. | During the current audit, for all six field offices visited, there were no delays in completion of monitoring, evaluation and research plan activities and no unclear plans. | X | | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification: Implemented | Under implementation | Overtaken | Not Implemented |
|---|---|---|---|---|---|---|---|---|---|
| 14 | 2016 | A/72/5/Add.12, para. 58 | The Board recommends that UN-Women: (a) expedite the development of policy and guidelines that clearly define the rationale for the establishment of programme presence and the management of programme and field presences; and (b) develop business cases for the already established programme and field presences so as to suit the current needs and situation. | UN-Women currently reviews business cases to decide on field presences. UN-Women has a consultant who is looking at providing management with various options for a country offices typology, which will then be used when the Secretary-General's task force outlines the details of United Nations presences.<br>UN-Women is actively engaged in the United Nations reform track team on country team typology. Once a revised typology is approved, UN-Women will implement it immediately. | The Board is awaiting the approval of the country office typology, its implementation and eventual development of UN-Women policy for the establishment of programme and or field presences. Therefore, the Board considers the implementation of both recommendations to be under implementation. | | X | | |
| 15 | 2016 | A/72/5/Add.12, para. 63 | UN-Women agreed with the Board's recommendation that it approve and submit reports to donors within the time frame to maintain sound relationships with donors and secure sustainable funding from present and prospective donors. | Outstanding donor reports are reported to the senior management team on a monthly basis in Division for Management and Administration reports. In particular: (i) a P-4 Finance Specialist has been recruited, (ii) the virtual global service centre recruitment of G7 posts in regional offices continues, with those of the Americas and the Caribbean Regional Office implemented on 1 March 2017, those of the Asia and the Pacific Regional Office and the Eastern and Southern Africa Regional Office completed in December 2017 and those of the Western Africa Regional Office completed, while onboarding of Arab States Regional Office recruits in mid-June is in progress and Eastern and Central Africa Regional Office interviews have been scheduled. | The Board acknowledges the efforts taken by UN-Women by appointing staff who will be directly dealing with donor reporting. This has strengthened staff resources assigned to financial donor reporting and decentralized the preparation of donor reports to regional offices. In addition, there has been significant improvement in addressing the backlog of outstanding donor reports for 2017, with a net decrease of over 84 per cent. | X | | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| 16 | 2016 | A/72/5/Add.12, para. 67 | The Board recommends that UN-Women expedite financial closure of all operationally closed projects within 12 months of operational closure as required by the financial regulations and rules. | UN-Women achieved a net 73 per cent decrease in non-compliant financially closed projects for the year ended 2017. There were 120 projects not financially closed as at 31 December 2017 and 30 have been closed subsequently in the first quarter 1 of 2018. UN-Women has made good progress in the closure of projects, which have reduced from 444 (net) at the beginning of 2017 to 29 (net) currently.<br>In May 2017, UN-Women rolled out the automated project closure workbench tool, with training sessions held globally by webinars. Additional recurrent project closure training sessions were held in August at headquarters and during Western and Central Africa regional training sessions held in July and August 2017 on the automated project closure workbench tool. Regional training sessions were also held in the Eastern and Southern Regional Office and the Americas and the Caribbean Regional Office during May 2018. | The Board acknowledges the substantial work done in closing completed projects globally and has provided extensive training on the subject matter globally, which has resulted in a substantial decrease in projects not closed. In the current audit cycle, all the projects due for financial closure at all six field offices visited were closed within the required time frame. | X | | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification: Implemented | Under implementation | Overtaken | Not Implemented |
|---|---|---|---|---|---|---|---|---|---|
| 17 | 2016 | A/72/5/Add.12, para. 72 | UN-Women agreed with the Board's recommendation that it enhance its accountability and monitoring of advances to implementing partners at the project level in order to ensure adequate recovery of such balances as deemed appropriate. | Monthly Department of Management and Administration reports inform senior management about the status of outstanding advances. Mid and End of month reports are run corporately by Finance Section and placed on intranet site for all offices to use in addition to automated reports they can run at any time. Further, dashboard of outstanding advances informs offices of status and Deputy Director Financial Management and Programme Division Director regularly inform Heads of Offices on advances older than 6 months. | The Board noted improvement in liquidating partner advances as a result of frequent follow-up to monthly reports submitted to senior management. At the field offices visited, there were long-outstanding partner advances of $37,341.53 at Zimbabwe and Mali only. The Zimbabwe outstanding advance was subject to a write-off request during 2017 and had been approved for write-off. The Mali outstanding advances had been liquidated. | X | | | |
| 18 | 2016 | A/72/5/Add.12, para. 81 | UN-Women agreed with the Board's recommendation that it: (a) consider the use of the implementing partner agent code in the chart of accounts for Atlas to enhance efficiency and effectiveness; (b) work closely with the global auditors to review the audit process to ensure that project audit reports are submitted timely; and (c) enhance the capacity of the Audit Coordination Unit to ensure that it supports effectively the oversight function in the organization. | (a) Management has considered the use of the implementing partner agent code and has decided to implement the code. Standard operating procedures have been approved by global finance specialists, the Deputy Director for Financial Management and headquarters business owners. Management's decision to implement the code was announced on 1 June 2018, when staff were informed that implementation would be for all new project cooperation agreements as of 1 July 2018 and would be mandatory for all advances to partners as of 1 January 2019. Training will be held in June 2018. (b) The submission of the NGO/national | UN-Women has approved standard operating procedures and is in the process of ensuring the implementing partner agent code is put into use when all protocols are completed. The Board noted, however, some delays in submission of audit reports: of 237 reports uploaded in the UN-Women extranet, 51 reports (22 per cent) were submitted after 30 April 2018. The creation of the new P-2 audit management analyst was effected for the existing service | | X | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| | | | | implementation modality audit reports has significantly improved for 2017, with 97 per cent audit reports uploaded during May. (c) The capacity of the Audit Coordination Unit has been reviewed and a new P-2 Audit Management Analyst post was created to replace a service contractor under the 2018–2019 integrated budget. | contractor, who will have the same responsibilities and functions, and the Board does not consider this to be enhancement of the capacity of the Audit Coordination Unit. The Board is awaiting the application of the code and further strengthening of the capacity of the Unit and considers the recommendation to be under implementation. | | | | |
| 19 | 2016 | A/72/5/Add.12, para. 86 | The Board recommends that UN-Women field offices: (a) minimize errors by strengthening the asset management function through improvement of the internal check system; (b) exclude taxes when recording the asset in the system, and claim a tax refund from the government, (c) update the assets register with the current physical locations of all presented assets so that they can be traced reliably, and (d) ensure that the write-off of lost assets follows the guidelines of the programme and operations manual by investigating and documenting the results of disposal arrangements. | Recruitment of a revenue and asset management finance specialist has been completed and a candidate selected. A G7 asset management associate has been recruited to replace a former staff member that was transferred. Training will be provided in November via webinar and ECA regional training will be provided in October. | The Board noted the improvement in the management of assets resulting from the recruitment of a dedicated specialist and the training arrangements, did not find similar cases during the current audit cycle at the field office level and found that controls have been strengthened; therefore, all parts of the recommendation have been addressed accordingly. | | X | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| 20 | 2016 | A/72/5/Add.12, para. 90 | UN-Women agreed with the Board's recommendation that it ensure compliance with the automated leave management system in place through Atlas to enable timely submissions of leave requests by staff members and subsequent approval by supervisors. | As per staff rules, absences from the office need to be authorized. There have been no reported cases of unauthorized absences from the office, so that even in cases where leave was retroactively entered in the e-services, prior approval (verbal or by email) was obtained from supervisors. UN-Women has addressed the shortfall by issuing updates on the leave management process and inclusion of most leave types in eService, conducting webinars and disseminating training materials, and providing specific communications to all staff members and leave monitors and monthly reminders to users. | The Board has taken note of management efforts to automate the leave management process, which have addressed the recommendation. During the current audit cycle, there were no delays in submission of leave requests at all six field offices visited. | X | | | |
| 21 | 2016 | A/72/5/Add.12, para. 95 | The Board recommends that UN-Women ensure that staff performance reviews are done in compliance with the requirements of the programme and operations manual. | UN-Women has increased its campaign to increase awareness of the importance of conducting timely performance management. Informative videos for supervisors and supervisees were shared with all staff members. UN-Women has provided global training on performance management for supervisors and supervisees, regularly liaises with focal points on performance management compliance related to staff and has distributed posters with information and timelines related to performance management development and posted them in UN-Women offices. | The Board acknowledges the improvement in completion of PMDs during planning, mid-year reviews and annual performance assessments in the field offices visited. UN-Women aggregate final appraisal compliance level for 2017 as per dashboard was above the 2018 and 2019 strategic plan targets of 70 per cent and 75 per cent respectively. In addition, the final appraisal compliance rate increased from 92 per cent in 2015 to 94 per cent in 2016, which was | X | | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implemeniation | Overtaken | Not Implemented |
| | | | | | above the key performance indicators targets for performance measurement completion as per the strategic plan. | | | | |
| 22 | 2016 | A/72/5/Add.12, para. 100 | The Board recommends that UN-Women field offices: (a) comply with the travel policy requirements so as to make use of the possible savings that may result from early booking of tickets; and (b) introduce enforcement mechanisms to ensure submission of travel claims soon after the completion of travel to enable timely liquidation of travel advances. | (a) The corporate business intelligence data dashboard includes sections on travel processed later than timelines, as specified in policy, although some ad hoc travel will invariably occur based on government partner requests. (b) F10 liquidation status is reflected in the dashboard. Month-end closure instructions issued by the Finance Section, periodic closure instructions issued by the Procurement Section and travel checklists support timely liquidation. In late 2016, the Procurement Section rolled out a corporate travel monitoring application that offers a snapshot of all outstanding travel activities. In addition, the duty travel chapter of the programme and operations manual was amended in 2017 to prescribe early booking of travel tickets. | The Board assessed a global sample of 1,544 Atlas entries for the period from 2016 to 2017 and noted that the average number of days used to liquidate F-10 travel claim forms following completion of trips in the first quarter of 2016 was over 143 days. The delays continued to decline in each quarter at the average rate of 30 per cent between 2016 and 2017 and in the first quarter of 2018. The average number of days used for the liquidation of travel claims has dropped to an average of 30 days, as required by the travel chapter of the programme and operations manual. The Board acknowledges the development and enforcement of the travel policy through various mechanisms, including monthly reminders to field offices and the introduction of the dashboard for monitoring travel data intelligence across UN-Women. | | X | | |

| No. | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| 23 | 2016 | A/72/5/Add.12, para. 106 | The Board recommends that UN-Women: (a) review the job descriptions of staff of the Information Systems and Telecommunications Office on a periodic basis to provide complete and clear direction regarding the roles and responsibilities of each staff in accordance with actual ICT services and support; and (b) develop an interface to be used by business application owners for user access provisioning in OneApp with segregation of duties. | The system interface and process have been developed. | There is complete and clear direction regarding the roles and responsibilities of ICT staff, in accordance with actual ICT services and support, and an interface for use by application business owners was developed. | | X | | |
| 24 | 2016 | A/72/5/Add.12, para. 111 | The Board recommends that UN-Women: (a) document the processes used to destroy data before the disposal of its ICT assets; and (b) record the details of each destroyed data storage device and verify and approve the action taken. | The process has been documented and data destruction is being recorded. | The Board agreed with management action because the data destruction process had been completed and was being documented according to the recommendation. | | X | | |
| 25 | 2016 | A/72/5/Add.12, para. 116 | The Board recommends that UN-Women: (a) finalize the development of and implement formal procedures to grant, revoke and monitor logical access for all ICT systems; (b) review and remove or disable all user accounts of former staff [illegible] from | The formal process is currently adopted by UN-Women and all accounts reviewed and accounts of former staff disabled. | The Board agreed with management action because the formal procedures to grant and revoke logical access had been developed and all user accounts for separated staff had been removed automatically from the system. | | X | | |

| No | Audit report year | Report reference | Recommendations of the Board | UN-Women response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Overtaken | Not Implemented |
| | | | UN-Women; and (c) strengthen country offices assessment tool to include country office compliance with ICT standards, compel field offices to provide information about the local situation and details of gateway protections to headquarters and assure support to the field from the central ICT function. | | | | | | |
| **Total** | | | | | | **21** | **4** | | |
| **Percentage** | | | | | | **84** | **16** | | |

# Chapter III
## Certification of the financial statements

### Letter dated 30 April 2018 from the Director of the Division of Management and Administration of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors

Pursuant to financial rule 1201, I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements for the year ended 31 December 2017.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgments;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The internal auditors continually review the accounting and control systems;

The management provided the internal auditor with full and free access to all accounting and financial records.

The recommendations of the United Nations Board of Auditors and internal auditors are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), in accordance with the service level agreements currently in force.

(*Signed*) Moez **Doraid**
Director
Division of Management and Administration
United Nations Entity for Gender Equality
and the Empowerment of Women

# Chapter IV
# Financial report for the year ended 31 December 2017

## A. Introduction

1. The Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) has the honour to submit the financial report for the year ending 31 December 2017, together with the audited financial statements and the report of the Board of Auditors. This submission is made in compliance with regulations 12.1 and 26.2 of the financial regulations and rules of UN-Women. The annual financial statements cover all the resources for which the Executive Director is responsible.

2. The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and were transmitted to the Board of Auditors on 30 April 2018. The Advisory Committee on Administrative and Budgetary Questions has received the financial statements of UN-Women for 2017, as required by financial rule 1202. The Board of Auditors has given its opinion and report on the 2017 financial statements, both of which are also submitted to members of the Executive Board.

3. The pursuit of gender equality, the empowerment of women and girls and the realization of their human rights are objectives in themselves as well as prerequisites and drivers for sustainable development, peace and security and human rights and humanitarian action. UN-Women has completed its seventh year of operating as a composite entity since its creation by the General Assembly in resolution 64/289. The Assembly, the Economic and Social Council and the Commission on the Status of Women provide guidance for the normative functions of UN-Women; the Assembly and the Executive Board provide guidance for its operational activities.

## B. Resource mobilization and funding status mobilization and funding status

4. Since its inception in 2011, UN-Women has continued to strive towards the critical level of $500 million in revenue per annum, and resource mobilization remains a corporate organizational priority. Income projections were articulated in the Entity's updated strategic plan for 2014–2017 and established in the institutional budget for 2016–2017 at the level of $880 million for the biennium. For 2017, the income projections were set at $470 million, $200 million for regular resources (unearmarked/core) and $270 million for other resources (earmarked/non-core).

5. UN-Women is funded mainly by voluntary contributions (95.2 per cent in 2017), comprising regular resources and other resources to finance its operational activities. Assessed contributions (2.2 per cent in 2017) are received from the United Nations Secretariat to contribute to the normative functions of UN-Women.

6. Voluntary contributions in 2017 comprised $146.4 million in regular resources (2016: $141.7 million) and $214.2 million in other resources (2016: $178.1 million). Although income projections for 2017 totalling $470 million did not materialize, with shortfalls in regular resources of $53.6 million and in other resources of $55.8 million, voluntary contributions grew by $40.8 million ($4.7 million in regular resources and $36.1 million in other resources) compared with the previous year.

7. UN-Women focused its efforts in 2017 on deepening its partnership base. The number of Member States contributing to UN-Women in 2017 stood at 112. Four Member States (Finland, Sweden, Switzerland and the United Kingdom of Great

Britain and Northern Ireland) contributed more than $10 million to core resources. Twelve Member States contributed more than $10 million in total (regular resources and other resources combined).

8. In order to secure the Entity's cash inflows, donors are requested to pay early in the financial year, so that operations funded by regular resources can be effectively implemented. For programme activities funded by other resources, timely payments by donors will ensure that project implementation commences and proceeds as planned.

9. Resource mobilization and fundraising activities are continuously intensified, guided by a strategic partnership and resource mobilization strategy that: (a) targets traditional and non-traditional donors, including the private sector and foundations; (b) builds partnerships and access to donor funds at the programme country level; (c) widens and deepens the donor base, including encouraging double digit (over $10 million) regular resource pledges to enhance the sustainability and predictability of regular resources funding; and (d) utilizes diverse communications platforms to broaden outreach to the general public.

10. UN-Women appeals to all its stakeholders to contribute a higher level of resources, commensurate with the strong political will expressed by Member States in support of UN-Women, thus enabling it to better deliver on its mandate to attain its minimum capitalization target of $500 million per annum.

## C. Major achievements, institution-building and progress on organizational effectiveness and efficiency in 2017

### 1. Implementation of strategic priorities

11. UN-Women continued to support the strengthening and implementation of global norms and standards for gender equality and women's empowerment in 2017. The Political Declaration adopted at the fifty-ninth session of the Commission on the Status of Women on the occasion of the twentieth anniversary of the Fourth World Conference on Women (see E/2015/27-E/CN.6/2015/10, chap. I, sect. C, resolution 59/1) and the fifteenth-anniversary review of the implementation of Security Council resolution 1325 (2000), together with the adoption of Council resolution 2242 (2015) on women and peace and security, provided important road maps for the work of UN-Women.

12. Building on that foundation, the 2030 Agenda for Sustainable Development, with its emphasis on gender equality and women's empowerment as a stand-alone goal and reflected throughout the Agenda, provides a strong framework to accelerate efforts to end gender inequality by 2030. In addition, commitments contained in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and the Paris Agreement on climate change emphasize the importance of gender equality and women's empowerment for sustainable development. There is also greater recognition of the importance of women's engagement in humanitarian action, including in the outcome documents of the World Humanitarian Summit.

13. The year 2017 represented the fourth and final year of implementation of the UN-Women strategic plan 2014–2017 and its six impact areas: (a) women lead and participate in decision-making at all levels; (b) women, especially the poorest and most excluded, are economically empowered and benefit from development; (c) women and girls live a life free from violence; (d) peace and security and humanitarian action are shaped by women's leadership and participation; (e) governance and national planning fully reflect accountability for gender equality commitments and priorities; and (f) a comprehensive and dynamic set of global

norms, policies and standards on gender equality and women's empowerment is in place and is applied through action by governments and other stakeholders at all levels.

14. Based on those priorities, UN-Women delivered programme support in 99 countries in 2017. Programme expenditures for the period from 2014 to 2017 reached $915.3 million, with $249 million implemented in 2017. Programme expenditures in the field increased by 34 per cent over the four-year period, demonstrating growing partner confidence and success in resource mobilization.

15. At the end of its four-year strategic planning cycle, the performance of UN-Women against its targets, including targets revised in the midterm review, is positive. In total, 80 per cent of development targets have been fully or largely met. With only three targets below 60 per cent, performance is particularly strong at the outcome level. There has been significant progress at the output level over the 2014–2017 period, with nine additional targets met or reaching at least 60 per cent in 2017 alone.

16. The 2014–2017 period has been marked by significant success in the Entity's contribution to the development of global norms, policies and standards on gender equality and women's empowerment. The Entity's substantive analysis, stakeholder engagement and advocacy supported the reflection of gender equality as a stand-alone goal and a cross-cutting priority of the 2030 Agenda for Sustainable Development and demonstrated a strong commitment to gender equality in the Addis Ababa Action Agenda. Over the course of the strategic plan, UN-Women focused on integrating a gender perspective into other normative processes such as climate change, HIV/AIDS (see General Assembly resolution 65/277, annex), sustainable cities and human settlements, migration (see resolution 71/1) and the situation of least developed countries (see resolution 70/294). In 2017, the Entity contributed to the ministerial declaration of the high-level political forum on sustainable development through its analysis of the linkages between Sustainable Development Goal 5 and the gender-responsive implementation of the 2030 Agenda; it engaged with the United Nations Framework Convention on Climate Change, contributing to the adoption of the first gender action plan at the Conference of the Parties; it provided substantive support to the Economic and Social Council on gender mainstreaming and to its forum on financing for development follow-up, which resulted in gender equality investments being recognized as essential to sustainable development; and it provided expertise to the negotiations of the Commission on Crime Prevention and Criminal Justice, resulting in its resolution reflecting a commitment to mainstreaming a gender perspective.

17. During the course of the strategic plan, there has been significant growth in participation in and increased engagement with the Commission on the Status of Women. Since 2014, the Commission has delivered several substantive outcomes, including the political declaration marking the twentieth anniversary of the Beijing Declaration and Platform for Action. In 2017, 2,130 officials and more than 3,900 civil society organizations participated in the work of the Commission. UN-Women supported preparations for the 61st session of the Commission, which focused on women's economic empowerment in the changing world of work, in close collaboration with the International Labour Organization, by organizing regional preparatory meetings and consultations, convening a multi-stakeholder forum and providing substantive support to informal consultations. UN-Women also created opportunities for intergenerational dialogue by supporting the voices of youth feminist leaders.

18. UN-Women played a central role in supporting Member States in the full, effective and accelerated implementation of the Beijing Declaration and Platform for

Action and the gender-responsive implementation of the 2030 Agenda for Sustainable Development. In 2017, UN-Women continued to focus on the gender-responsive implementation of the 2030 Agenda, issuing regional specific guidance notes on the localization of the Sustainable Development Goals and contributing to the development of regional road maps. As an example of that work, UN-Women, with the Economic and Social Commission for Asia and the Pacific, led the regional review of Goal 5 at the Asia-Pacific Forum on Sustainable Development.

19. Since 2014, UN-Women, in collaboration with partners, has contributed to major achievements towards gender equality and women's empowerment. Women's economic empowerment was strengthened with the development of effective policy frameworks in 41 countries, positively affecting a combined female population of more than 2 billion. Fifty-two countries, with a combined female population of more than 1.5 billion, strengthened legislation to address violence against women, and more than 7.5 million practitioners accessed expert knowledge at the endVAWnow.org website. More than 1.48 billion women and girls in 43 countries benefited from an increase in budget allocations for gender equality and women's empowerment. In 2017 alone, UN-Women contributed to the amendment or reform of 27 laws in 17 countries to strengthen women's rights, and trained nearly 7,000 women leaders, aspiring candidates and elected public officials in 32 countries.

20. The engagement of UN-Women in peace, security and humanitarian action has evolved significantly during the 2014–2017 strategic plan period. Some 71 experts have been deployed to support sexual and gender-based violence investigations, including to national authorities and the International Criminal Court, since 2014. In 2017 alone, UN-Women provided direct humanitarian services for 121,000 crisis-affected women and girls, delivered economic empowerment and livelihood services to 35,000 women and girls and provided education opportunities for 3,700 girls in humanitarian settings. In addition, 59 safe spaces and 67 multipurpose centres were run in humanitarian programmes.

21. A key development that strengthened the Entity's programming during the period 2014–2017 was the creation of flagship programming initiatives. In 2017, 57 per cent of development results from 49 country offices were aligned with the initiatives' theories of change. The high adoption rate indicates a sharpened programmatic focus that provides a common framework for collaboration at the national level and supports resource mobilization efforts. Of note is the initiative on the prevention of violence against women and access to essential services, which was adopted by 30 country offices. The initiatives take place within a United Nations-wide programmatic framework, and most of them are expected to be implemented as joint programmes.

22. Throughout its strategic plan, the Entity's work in leading, coordinating and promoting the accountability of the United Nations system has gained increased traction and contributed to the achievement of results for women and girls. As of the end of 2017, more than 94 per cent of all United Nations entities had reported on the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women for six consecutive years, up from 79 per cent in 2012. The proportion of ratings meeting or exceeding requirements has more than doubled since the first year of reporting. UN-Women continued its work to promote gender parity in the United Nations system, which culminated with the launch of the Secretary-General's system-wide strategy on gender parity in 2017. UN-Women also spearheaded and field-tested a gender equality marker methodology for United Nations country teams. In 2017, 70 per cent of United Nations Development Assistance Frameworks featured gender-specific results, all joint programmes were reportedly addressing Sustainable Development Goal 5 and 56 per cent of them had an explicit focus on gender equality.

### 2. Organizational effectiveness and efficiency

23. Organizational effectiveness and efficiency have continued to show significant progress. After seven years of operations, UN-Women continues to improve systems for performance management and reporting, financial accountability, audit, human resource management, risk management and operational infrastructure, and has a strong independent evaluation function. In 2017, it received a sixth consecutive unqualified audit report, confirming that the financial statements are in accordance with IPSAS and that transactions tested as part of the audit have in all significant respects been in accordance with the financial regulations and rules of UN-Women.

24. In line with the Entity's results-based management standards, an independent regular quality assessment found a positive trend in the quality of planning and reporting, with 80 per cent of strategic notes qualifying as either "excellent" or "good", and an improvement in the quality of the annual reports. The launch of the results management system has played a key role in strengthening performance management during the current cycle of the strategic plan. The system has simplified the process of planning, monitoring and reporting and has increased efficiency, accountability and transparency. Data across all systems are now linked and accessible through dashboards, establishing an integrated system for planning, management and results reporting.

25. UN-Women continued to strengthen and streamline business processes, running its information systems and infrastructure in a very cost-effective manner by leveraging cloud technologies, while fully achieving the target of 99 per cent availability of systems. The donor agreement management system was recognized in 2017 by the regional architecture review as a key efficiency tool that provided staff with relevant information on more than 900 signed donor agreements. UN-Women also established a virtual global service centre to provide decentralized organization-wide services for financial donor reporting and project closure. Other automated information and communications technology services for financial management implemented since 2014 include reports on revenue, outstanding partner advances and project delivery.

26. From 2014 to 2017, UN-Women made considerable progress in embedding its risk management framework into key business processes and strengthening its monitoring processes. The Entity's corporate risk register has allowed it to identify and proactively address significant risks in the implementation of the strategic plan and has informed the development of the new plan. Other key achievements since 2014 include the development of a new job design and recruitment system to shorten recruitment time, the implementation of strategies to promote internal mobility and embedded systems for workforce planning and review, including regular workforce surveys.

27. The Entity's visibility in the media continued to increase with 23,500 media reports featuring UN-Women, and its social media accounts reached 6.5 million in 2017. During International Women's Day and the 61st session of the Commission on the Status of Women, media coverage reached 90 countries with 4,000 media reports. The 16 Days of Activism against Gender-based Violence campaign in 2017 garnered 4,615 media reports in 97 countries. UN-Women hashtags, such as #WomensDay, #CSW61 and #orangetheworld, created a potential reach of between 167 million and 1.2 billion users.

### 3. Transparency and accountability

28. The results management system allowed UN-Women to link results to resources, improving the Entity's decision-making process with regard to resource allocations

and expenditures. In 2017, UN-Women developed a project module in line with the latest International Aid Transparency Initiative standards.

29. At the corporate level, the Independent Evaluation Office ensured coverage of key impact areas of the strategic plan for 2014–2017 by providing a comprehensive assessment of the Entity's normative support, United Nations system coordination and operational work. That included completing seven corporate evaluations, four meta-analyses, two corporate joint reviews on gender policies and practices and 116 decentralized evaluations. In 2017, the level of evaluation reports rated satisfactory and above stabilized at 100 per cent, while reporting on use of evaluative evidence reached 86 per cent.

30. The Audit Advisory Committee of UN-Women reported to the Executive Board at its annual session in 2017 and provided independent feedback to Member States. The Committee has met regularly with senior management and contributes to the promotion of a culture of governance. Its members assist the Executive Director in her oversight duties. In its 2017 report, the Committee commended UN-Women on receiving an unqualified audit opinion from the Board of Auditors for the sixth consecutive year since its inception. The financial reporting for UN-Women continues to improve, and refinements continue to be made as necessary. The Committee also commended UN-Women on the increase of its non-core resource portfolio in 2017, but noted the ongoing challenges regarding resource mobilization in 2017.

31. In 2017, UN-Women published 28 internal audit reports on its public website that had been issued by the Office of Audit and Investigations. The publication of internal audit reports enhances the transparency of the Entity's activities for donors and Member States. In its 2017 report, the Office of Audit and Investigations provided its opinion that, based on the scope of work undertaken, the adequacy and effectiveness of the governance, risk management and control in the audits issued in 2017 were in aggregate satisfactory, which meant that they were generally established and functioning well. As at 31 December 2017, the implementation rate of internal audit recommendations was 99 per cent, which exceeded the target of 90 per cent.

### 4. External audit recommendations

32. The management of UN-Women is committed to taking action to implement the external audit recommendations issued by the Board of Auditors. For the financial year 2016, 4 of the 20 recommendations issued by the Board were implemented and 16 are under implementation. For the financial year 2015, 14 of the 17 recommendations were implemented and 3 are under implementation. The implementation rate for prior years' external audit recommendations increased significantly from 32 per cent as at 31 December 2015 to 83 per cent as at 31 December 2016. Similarly, there was an increase in the Entity's implementation rate for internal audit recommendations from 98 per cent in 2016 to 99 per cent in 2017.

## D. Financial performance

33. As total revenue for UN-Women was $378.2 million and total expenses were $338.6 million, the Entity recorded a surplus of $39.6 million for the year ended 31 December 2017, compared with a deficit of $5.5 million for 2016.

**Financial performance by funding source**

(Thousands of United States dollars)

| | *Regular resources* | *Other resources* | *Assessed* | *Elimination* | *2017* | *2016* |
|---|---|---|---|---|---|---|
| Total revenue | 149 871 | 232 773 | 9 292 | (13 686) | 378 250 | 334 569 |
| Total expenses | 141 368 | 202 176 | 8 757 | (13 686) | 338 615 | 340 041 |
| **Surplus/(deficit) for the year** | **8 503** | **30 597** | **535** | **–** | **39 635** | **(5 472)** |

34. The increase in voluntary contributions from donors in 2017 of $40.8 million was represented by an increase in regular resources of $4.7 million and an increase in other resources of $36.1 million.

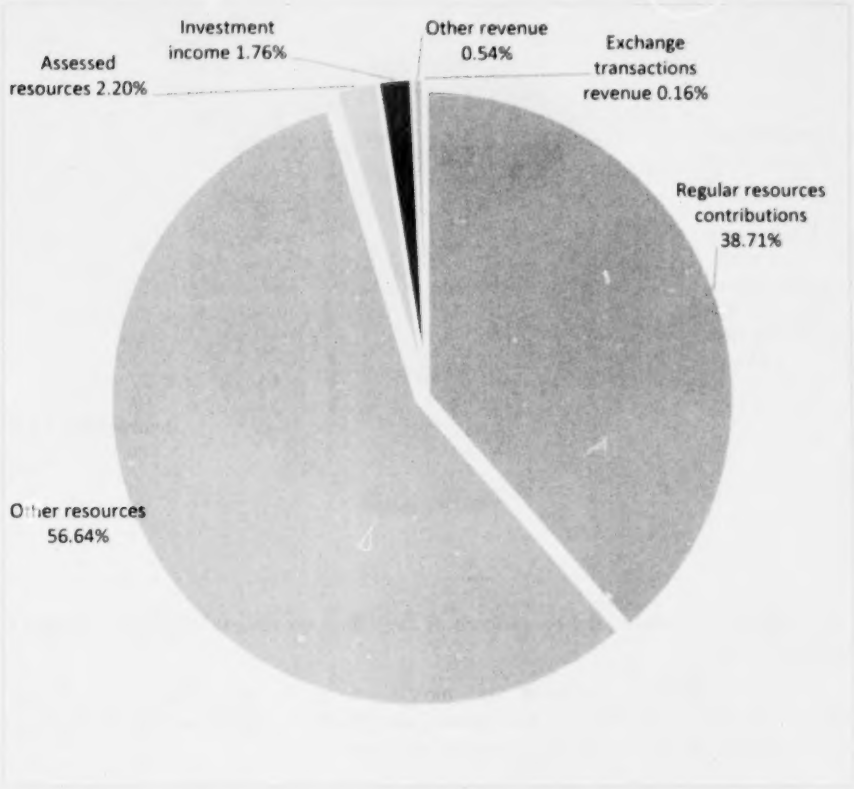
**Revenue analysis**

(Thousands of United States dollars)

| | *Regular resources* | *Other resources* | *Assessed* | *Elimination* | *2017* | *2016* |
|---|---|---|---|---|---|---|
| Contributions | 146 409 | 214 241 | 8 314 | – | 368 964 | 327 353 |
| Investment revenue | 2 404 | 4 251 | – | – | 6 655 | 3 432 |
| Other revenue | 1 058 | 13 694 | 978 | (13 686) | 2 044 | 3 636 |
| Exchange transactions revenue | – | 587 | – | – | 587 | 148 |
| **Total** | **149 871** | **232 773** | **9 292** | **(13 686)** | **378 250** | **334 569** |

35. The total revenue for 2017 includes revenue received and receivable, in accordance with IPSAS. UN-Women recognizes regular resource revenue when funds are received from the donor or where there is a signed agreement or letters of exchange (pledges are not recognized). UN-Women recognizes other resource revenue from non-exchange transactions when written confirmation in the form of a signed donor agreement is received from a donor. Revenue is recognized in the financial statements in the period to which they relate. The matching principle of revenue and expense does not apply for non-exchange transactions (see note 2 of the financial statements).

Figure IV.I
**2017 revenue by nature**



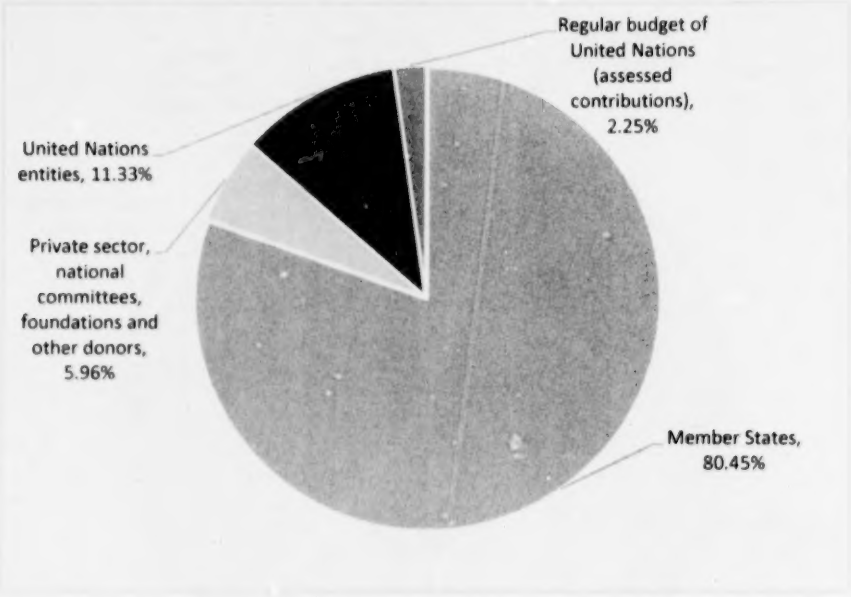

36. Of the total revenue of $378.2 million (2016: $334.6 million), contributions accounted for $368.9 million (2016: $327.3 million) and comprised:

(a) Voluntary regular resources of $146.4 million, or 38.68 per cent (2016: $141.7 million, or 42.34 per cent), which are unearmarked and fund the operational requirements and projects and programmes of UN-Women;

(b) Voluntary other resources of $214.2 million, or 56.60 per cent (2016: $178.1 million, or 53.23 per cent), which are earmarked for specific programmes and projects;

(c) Assessed resources from the United Nations regular budget of $8.3 million, or 2.20 per cent (2016: $7.6 million, or 2.28 per cent), which fund the normative and intergovernmental work of UN-Women.

Figure IV.II
**2017 voluntary contributions by donor type**


Regular budget of United Nations (assessed contributions), 2.25%
United Nations entities, 11.33%
Private sector, national committees, foundations and other donors, 5.96%
Member States, 80.45%

37. Figure IV.II shows the breakdown of contributions revenue for 2017 by donor type, as follows:

(a) UN-Women revenue is mostly sourced from government and intergovernmental agencies, which contributed $296.8 million, or 80.45 per cent (2016: $276.2 million, or 84.38 per cent), of the revenue;

(b) United Nations entities contributed $41.8 million, or 11.33 per cent (2016: $28.4 million, or 8.68 per cent);

(c) The private sector, national committees, foundations and other donors contributed $22 million, or 5.96 per cent (2016: $15.1 million, or 4.62 per cent);

(d) Assessed revenue from the Secretariat contributed $8.3 million, or 2.25 per cent (2016: $7.6 million, or 2.33 per cent).

**Expenditure analysis**

(Thousands of United States dollars)

| | *Regular resources* | *Other resources* | *Assessed* | *Elimination* | *2017* | *2016* |
|---|---|---|---|---|---|---|
| Employee benefits | 74 818 | 33 227 | 7 825 | – | 115 870 | 114 271 |
| Contractual services | 20 202 | 67 744 | 172 | – | 88 118 | 90 827 |
| Grants and other transfers | 9 | 9 109 | – | – | 9 118 | 9 381 |
| Supplies and maintenance | 2 410 | 7 750 | 43 | – | 10 203 | 8 920 |
| Operating costs | 30 596 | 58 959 | 432 | (13 686) | 76 301 | 77 069 |
| Travel | 10 317 | 19 865 | 273 | – | 30 455 | 31 302 |
| Depreciation and amortization | 2 360 | 811 | 3 | – | 3 174 | 2 912 |
| Finance costs | 94 | 164 | – | – | 258 | 185 |
| Other expenses | 562 | 4 547 | 9 | – | 5 118 | 5 174 |
| **Total** | **141 368** | **202 176** | **8 757** | **(13 686)** | **338 615** | **340 041** |

38. In accordance with IPSAS, the total expenses for 2017 amount to $338.6 million (2016: $340.0 million) and represent expenses incurred, both paid and payable. Of the total expenses, regular resources represent $141.4 million, or 41.7 per cent (2016: $142.4 million, or 41.9 per cent), other resources (after reduction for elimination items) represent $188.5 million, or 55.7 per cent (2016: $188.9 million, or 55.6 per cent) and assessed expenses represent $8.8 million, or 2.6 per cent (2016: $8.7 million, or 2.5 per cent). The other resource expenses for the year include programme and project delivery during the year from unspent 2016 budgets, as well as current-year budgets.

**Financial position by funding source**

(Thousands of United States dollars)

| | *Regular resources* | *Other resources* | *Assessed* | *31 December 2017* | *31 December 2016* |
|---|---|---|---|---|---|
| Total assets | 186 096 | 317 010 | 4 587 | 507 693 | 457 489 |
| Total liabilities | 83 942 | 34 603 | 6 265 | 124 810 | 109 818 |
| **Total net assets/equity** | **102 154** | **282 407** | **(1 678)** | **382 883** | **347 671** |

39. Total net assets/equity by segment (see note 5 to the financial statements) comprise:

(a) Regular resources, the cash required to fund operations for the first few months of the new financial year while UN-Women awaits new voluntary contributions from donor governments, funds for employee benefits and liabilities;

(b) Other resources, the unspent budgets for earmarked projects and programmes, which will be expensed in future periods in accordance with donor agreements;

(c) Other items in relation to the financial position by segment as at 31 December 2017, including:

(i) Current assets of $268 million exceeding current liabilities of $43.4 million by $224.6 million, indicating that the liquidity of UN-Women is

very strong (current assets ratio of 6.2:1; 2016: 7.9:1), with regular resources representing $96.1 million and other resources $168.4 million;

(ii) Investments and cash and cash equivalents amounting to $403.7 million (2016: $387.1 million), with cash and short-term investments of $175.3 million for less than 12 months and $228.3 million for long-term investments;

(iii) Accounts receivable or unpaid voluntary contributions agreements amounting to $41.6 million (2016: $9.9 million), of which 73 per cent are from other resources for earmarked projects and programmes;

(iv) Employee benefits (contractual obligations to employees, both current and retired) in the amount of $92.9 million (2016: $78.8 million). The main liability relates to after-service health insurance of $68 million (2016: $55.4 million), which has been funded in the amount of $47.6 million, or 70 per cent (2016: $40 million, or 72.2 per cent). The portion of the liability for after-service health insurance for the category of active employees not yet fully eligible is $42.6 million, or 62.6 per cent of the total accrued liability for after-service health insurance;

(v) Reserves include operational reserves of $24.9 million and field accommodation reserves of $1 million, as approved by the Executive Board in its decision 2012/8.

# Chapter V

# Financial statements for the year ended 31 December 2017

## United Nations Entity for Gender Equality and the Empowerment of Women

### I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

| | *Reference* | *31 December 2017* | *31 December 2016* |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | Note 6 | 71 176 | 100 979 |
| Investments | Note 7 | 104 163 | 171 792 |
| Accounts receivable | Note 8 | 41 584 | 9 929 |
| Advances | Note 9 | 31 424 | 38 224 |
| Other assets | Note 10 | 19 609 | 10 226 |
| Inventories | Note 11 | 34 | 76 |
| **Total current assets** | | **267 990** | **331 226** |
| **Non-current assets** | | | |
| Investments | Note 7 | 228 327 | 114 414 |
| Other assets | Note 10 | 7 | 11 |
| Property, plant and equipment | Note 12 | 11 145 | 11 547 |
| Intangible assets | Note 13 | 224 | 291 |
| **Total non-current assets** | | **239 703** | **126 263** |
| **Total assets** | | **507 693** | **457 489** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable | Note 14 | 8 866 | 9 491 |
| Employee benefits | Note 15 | 11 482 | 10 606 |
| Other liabilities | Note 16 | 23 094 | 21 576 |
| **Total current liabilities** | | **43 442** | **41 673** |
| **Non-current liabilities** | | | |
| Employee benefits | Note 15 | 81 368 | 68 145 |
| **Total non-current liabilities** | | **81 368** | **68 145** |
| **Total liabilities** | | **124 810** | **109 818** |
| **Net assets** | | **382 883** | **347 671** |
| **Net assets/equity** | | | |
| Accumulated surplus/(deficit) | Note 17 | 352 970 | 321 607 |
| Reserves | Note 18 | 29 913 | 26 064 |
| **Total net assets/equity** | | **382 883** | **347 671** |

The accompanying notes are an integral part of these financial statements.

## United Nations Entity for Gender Equality and the Empowerment of Women

### II. Statement of financial performance for the year ended 31 December 2017

(Thousands of United States dollars)

| | *Reference* | *2017* | *2016* |
|---|---|---|---|
| **Revenue** | | | |
| Voluntary contributions | Note 19 | 360 650 | 319 738 |
| Assessed contributions | Note 20 | 8 314 | 7 615 |
| Investment revenue | Note 21 | 6 655 | 3 432 |
| Other revenue | Note 22 | 2 044 | 3 636 |
| Exchange transactions revenue | Note 23 | 587 | 148 |
| **Total revenue** | | **378 250** | **334 569** |
| **Expenses** | | | |
| Employee benefits | Note 24 | 115 870 | 114 271 |
| Contractual services | Note 24 | 88 118 | 90 827 |
| Grants and other transfers | Note 24 | 9 118 | 9 381 |
| Supplies and maintenance | Note 24 | 10 203 | 8 920 |
| Operating costs | Note 24 | 76 301 | 77 069 |
| Travel costs | Note 24 | 30 455 | 31 302 |
| Depreciation and amortization | Note 24 | 3 174 | 2 912 |
| Finance costs | Note 24 | 258 | 185 |
| Other expenses | Note 24 | 5 118 | 5 174 |
| **Total expenses** | | **338 615** | **340 041** |
| **Surplus/(deficit) for the year** | | **39 635** | **(5 472)** |

The accompanying notes are an integral part of these financial statements

## United Nations Entity for Gender Equality and the Empowerment of Women

### III. Statement of changes in net assets/equity for the year ended 31 December 2017

(Thousands of United States dollars)

| | *Reference* | *2017* | *2016* |
|---|---|---|---|
| **Net assets/equity at the beginning of the year** | | **347 671** | **358 512** |
| **Movement during the year** | | | |
| Current year surplus/(deficit) | | 39 635 | (5 472) |
| Refunds to donors | Note 17 | (2 330) | (2 213) |
| Changes in fair value of available-for-sale investments | Note 18 | 3 849 | 164 |
| Actuarial gains/(losses) | Note 17 | (5 942) | (3 320) |
| **Net assets/equity at the end of the year** | | **382 883** | **347 671** |

The accompanying notes are an integral part of these financial statements.

## United Nations Entity for Gender Equality and the Empowerment of Women

### IV. Statement of cash flow for the year ended 31 December 2017

(Thousands of United States dollars)

| | *Reference* | *2017* | *Restated 2016* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net surplus/(deficit) for the year | | 39 635 | (5 472) |
| Interest revenue | | (7 123) | (5 604) |
| Amortization on investments | | 962 | 2 365 |
| Dividend revenue | | (494) | (193) |
| In-kind revenue (assets) | | (298) | – |
| Unrealized (gain)/loss on foreign exchange | | 88 | (2 492) |
| Depreciation and amortization expense | Note 24 | 3 174 | 2 912 |
| (Increase)/decrease in accounts receivable | | (31 625) | 3 201 |
| (Increase)/decrease in other assets | | (8 983) | (5 224) |
| (Increase)/decrease in inventories | | 42 | 16 |
| (Increase)/decrease in advances | | 6 800 | 1 130 |
| Increase/(decrease) in accounts payable | | (625) | (1 094) |
| Increase/(decrease) in employee benefits | | 14 099 | 4 290 |
| Increase/(decrease) in other liabilities | | 1 518 | 15 951 |
| (Gains)/losses on sale of property, plant and equipment | | 64 | 25 |
| Refunds to donors | | (2 330) | (2 213) |
| Change in fair value of available-for-sale investments | | (353) | 211 |
| Actuarial gains/(losses) | Note 17 | (5 942) | (3 320) |
| **Net cash generated from operating activities** | | **8 579** | **4 489** |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (2 493) | (3 150) |
| Purchases of intangible assets | | (13) | (121) |
| Proceeds from sales of property, plant and equipment | | 34 | 34 |
| Purchases of investments — held to maturity | Note 7.1 | (272 587) | (185 005) |
| Maturities of investments — held to maturity | Note 7.1 | 232 415 | 276 402 |
| Interest received | | 5 768 | 1 944 |
| Dividend received | | 492 | 193 |
| Movement in investments — available for sale | | (1 910) | (38 040) |
| **Net cash generated from investing activities** | | **(38 294)** | **52 257** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(29 715)** | **56 746** |
| Cash and cash equivalent at beginning of year | | 100 979 | 41 741 |
| Effect of exchange rate changes on cash and cash equivalents | | (88) | 2 492 |
| **Cash and cash equivalent at end of year** | **Note 6** | **71 176** | **100 979** |

The accompanying notes are an integral part of these financial statements.

## United Nations Entity for Gender Equality and the Empowerment of Women

### V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017

(Thousands of United States dollars)

| | *2016–2017* | *2016* | | | | *2017* | | | | *2016–2017* |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Original budget* | *Original budget* | *Final budget* | *Actual amounts on comparable basis (restated)* | *Difference between final budget and actual amounts* | *Original budget* | *Final budget* | *Actual amounts on comparable basis* | *Difference between final budget and actual amounts* | *Difference final budget and actual amounts* |
| Regular budget activities | 15 256 | 7 615 | 7 664 | 8 660 | (996) | 7 641 | 8 245 | 8 755 | (510) | (1 506) |
| Development activities: | | | | | | | | | | |
| Programme | 684 046 | 336 640 | 290 040 | 265 106 | 24 934 | 347 406 | 272 133 | 266 485 | 5 648 | 30 582 |
| Institutional budget: | | | | | | | | | | |
| Development effectiveness | 54 457 | 26 800 | 25 484 | 21 151 | 4 333 | 27 657 | 21 385 | 17 538 | 3 847 | 8 180 |
| United Nations coordination | 27 604 | 13 585 | 13 821 | 12 153 | 1 668 | 14 019 | 14 373 | 12 011 | 2 362 | 4 030 |
| Management activities: | 107 898 | 53 100 | 50 511 | 43 071 | 7 440 | 54 798 | 51 318 | 46 105 | 5 213 | 12 653 |
| Evaluation | 6 452 | 3 175 | 3 369 | 2 333 | 1 036 | 3 277 | 3 151 | 4 177 | (1 026) | 10 |
| **Total** | **895 713** | **440 915** | **390 889** | **352 474** | **38 415** | **454 798** | **370 605** | **355 071** | **15 534** | **53 949** |

The accompanying notes are an integral part of these financial statements; see also note 26.

## United Nations Entity for Gender Equality and the Empowerment of Women
## Notes to the financial statements

### Note 1
### Reporting entity

The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) was established by the General Assembly in its resolution 64/289 of 2 July 2010 and became operational in January 2011. Grounded in the vision of equality enshrined in the Charter of the United Nations, UN-Women works towards the elimination of discrimination against women and girls; the economic empowerment of women; the achievement of equality between women and men as partners and beneficiaries of development, human rights, humanitarian action and peace and security.

UN-Women is mandated to support intergovernmental bodies, such as the Commission on the Status of Women, in their formulation of policies, global norms and standards. The Entity mobilizes political will and resources to help Member States implement those standards, standing ready to provide suitable technical and financial support to those countries that request it and to forge successful partnerships with civil society. Furthermore, UN-Women has been assigned the mandate to hold the United Nations system accountable for its own commitment on gender equality through the system-wide action programme.

UN-Women is governed by its Executive Board, which consists of representatives of its Member States. The Executive Board guides the strategic direction and policies of the Entity to ensure that all operational aspects of the activities of UN-Women are executed effectively by the Executive Director and Under-Secretary-General.

UN-Women is headquartered in New York and is expanding its presence at the regional and country levels. The Entity's regional architecture comprises 6 regional offices, 5 multi-country offices, 48 country offices and programme presences in 40 other countries, which enables it to pursue its goals of achieving gender equality and the empowerment of women. UN-Women serves the donor community and partners with liaison offices in Brussels, Copenhagen, Tokyo, Abu Dhabi, Geneva, Addis Ababa and Washington, D.C.

### Note 2
### Significant accounting policies

#### (a) Basis of preparation and authorization for issue

#### Authorization for issue

In accordance with financial regulation 12.1 of UN-Women, the Executive Director is responsible for the financial statements of the Entity. The Director, Division of Management and Administration, has certified that, to the best of his knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements and supporting schedules. On 30 April 2018, the Executive Director authorized these financial statements to be submitted for audit.

#### Statement of compliance with the International Public Sector Accounting Standards

The financial statements of UN-Women have been prepared on an accrual and going concern basis in accordance with the International Public Sector Accounting Standards (IPSAS) and the financial regulations and rules of UN-Women.

**Basis of recognition of revenue and expenses**

Under the accrual basis of accounting, revenue and expenses (except for non-exchange transactions) are recognized in the financial statements in the period to which they relate.

*Revenue*

Voluntary contributions for regular resources are recognized as revenue when there is a signed agreement or letter of exchange (from a designated official of a government), other than a pledge, or on a cash basis at the time that funds are received. Cash received relating to future financial years is recognized as deferred income at year-end. Where a signed agreement or letter of exchange is received from a donor the contribution will be recognized as revenue on the date of the last signature to the agreement (unless expressly stated otherwise in the agreement). For multi-year core contributions, revenue is recognized in the financial statements for the period to which the funds relate and are received in accordance with the payment schedule in the agreement, or, in the absence of a schedule of multiple payments, revenue will be recognized equally over the period of the agreement.

Voluntary contributions for other resources are recognized as revenue when written confirmation is received from a donor during the financial year, based on the fair value of the benefit received unless any stipulation defers this recognition. Where a written agreement is received from a donor the contribution will be recognized as revenue on the date of the last signature to the agreement (unless expressly stated otherwise in the agreement). Multi-year agreements are apportioned by calendar year over the period of the agreement and are recognized when conditions are met.

Assessed contributions are issued as an annual allotment from the United Nations regular budget and are assessed and approved for a two-year budget period. The amount of those contributions is then apportioned between the two years and recognized on a monthly basis.

In-kind contributions, except services, that directly support approved operations and activities, which have budgetary impact and can be reliably measured, are recognized at fair value as expense and contribution. Those contributions include use of premises and utilities.

In-kind contributions of services are not recognized, but the estimated cost saving is disclosed.

Donated property, plant and equipment are valued at fair market value and recognized as fixed assets and contribution. The donated right to use an asset is valued at the fair market value of the right to use. The excess of the fair market value of the right to use over any sums actually paid is shown as contribution income together with a matching expense. When transferred assets are received as contributions in kind and conditions requiring their return upon non-performance are disclosed in the agreements, a liability is initially recognized. When these conditions are satisfied, the revenue is recognized. When restrictions are disclosed in the agreements which do not require their return, the revenue is recognized upon confirmation of contributions.

Revenue from exchange transactions is recognized when it is probable that future economic benefits or service potential will flow to UN-Women and those benefits can be measured reliably. Revenue should be measured at the fair value of the consideration received or receivable. When the consideration is cash or in a monetary amount, measurement shall be at this amount.

*Expenses*

Expenses are recognized when goods are delivered and services are rendered. Project expenses are recognized once UN-Women receives a financial report from the partner in order to evidence the completion of activities.

Under IPSAS, the matching principle of revenue and expense does not apply for non-exchange transactions. The focus of IPSAS is the financial position, which is evidenced by the recognition of assets when there is sufficient control and of liabilities when the criteria to recognize liabilities exist. As a consequence, the excess of revenue over expenses results in a surplus (or the excess of expenses over revenue results in a deficit), which is carried forward to the accumulated surplus or deficit. Accumulated surplus represents the unexpended portion of contributions to be utilized for future operational requirements of UN-Women.

**(b) Foreign currency transactions**

The functional and reporting currency of UN-Women is the United States dollar. Where transactions have been made in currencies other than the United States dollar, the amounts are translated into United States dollars at the prevailing United Nations operational rates of exchange at the date of the transaction. Monetary assets and liabilities in currencies other than the United States dollar are translated into the United States dollar at the prevailing United Nations operational rate of exchange in effect at the reporting date. Non-monetary assets and liabilities denominated in a currency other than the United States dollar that are measured at historical cost are translated at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses, both realized and unrealized, resulting from such transactions are accounted for in the statement of financial performance.

**(c) Financial instruments**

Financial instruments are recognized when UN-Women becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and UN-Women has transferred substantially all the risks and rewards of ownership.

**Financial assets classification**

UN-Women classifies financial assets into the following categories: held-to-maturity; available-for-sale; loans and receivables; and fair value through surplus or deficit in the statement of financial performance. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UN-Women initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UN-Women becomes party to the contractual provisions of the instrument.

Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements, and assets denominated in foreign currency are translated into the United States dollar at the United Nations operational rate prevailing at the reporting date with gains and losses recognized in surplus or deficit in the statement of financial performance.

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an investment or group of investments is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in

surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year in which they arise.

*Held-to-maturity financial assets*

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UN-Women has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method. UN-Women classified part of its investment portfolio as held-to-maturity assets.

*Available-for-sale financial assets*

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recorded at fair value plus transaction costs and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices from reputable vendors.

*Loans and receivables*

Cash and cash equivalents include cash, short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value, net of impairment for restricted-use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset. As at 31 December 2017, UN-Women did not have any loans.

Accounts receivable are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that UN-Women will not be able to collect all amounts due according to the original terms of the receivable.

Advances and other receivables are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. Advances represent cash advance payments to partners contracted in the context of programme execution. These advances are recognized at fair value as a receivable. The expense is recognized in the statement of financial performance once UN-Women receives a financial report from the partner to evidence completion of activities. Advances also include payments on behalf of United Nations agencies and staff members are also issued cash advance payments which are recognized at fair value as receivables. The expense is recognized when the advance is liquidated through a claim or repayment of the advance. Other receivables represent prepayments on contracts where goods or services are yet to be delivered or rendered.

*Fair value through surplus or deficit financial assets*

Fair value through surplus or deficit financial assets are so designated on initial recognition or are held for trading. They are initially recorded at fair value and any transaction costs are expensed. The assets are measured at fair value at each reporting date, and any resultant fair value gains or losses recognized through surplus and deficit. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with United Nations Development Programme (UNDP) investment guidelines. UN-Women classifies derivatives as financial assets at fair value through surplus and deficit in the statement of financial performance. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. UN-Women does not apply hedge accounting treatment for derivatives.

**(d) Inventories**

Inventories held for distribution at no charge are stated at the lower of cost and current replacement cost. As there is no related revenue for inventory distributed, the expense is recognized when the goods are distributed. No-charge publication materials that would be defined as inventory are technical publications that relate directly to the programmatic and normative operations and are under the control of UN-Women. These publications must also have longevity where their content remains relevant and valid for more than a 12-month period to be defined as inventory. Publications produced by partners and held for distribution or used by them are not considered to be under the control of UN-Women and therefore are not inventory. No-charge publication materials and campaign brochures prepared by UN-Women for only advertising and promotional information purposes are not inventory. These items normally do not have longevity and are generally used within a 12-month period, as they are produced for a one-off event or purpose, and therefore the value of any remaining materials on hand at year-end would be significantly depreciated. Accordingly, the cost of publication material and campaign brochures used for advertising and promotional information is recognized as an expense when incurred.

Inventories held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories acquired through a non-exchange transaction (e.g., donated goods) is measured as their fair value at the date of acquisition. As at 31 December 2017, UN-Women did not have any inventories held for sale and had not acquired any inventory through a non-exchange transaction.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at historic cost less accumulated depreciation and any impairment losses. The capitalization threshold for property, plant and equipment for which UN-Women has control is a total cost of at least $1,000 per unit. Depreciation is provided for property, plant and equipment over the estimated useful life of each asset using the straight-line method, except for land, which is not subject to depreciation. Historic cost includes expenditures directly attributable to the acquisition of assets. Subsequent costs are included in the asset's

carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to UN-Women and the cost can be measured reliably. The estimation of the useful life of the asset is a matter of judgment based on the experience of UN-Women with similar assets. Therefore, the useful life of an asset may be shorter than its economic life. Repair and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

UN-Women is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if the Entity can exclude or regulate the access of third parties to the asset. This can be the case when UN-Women is implementing a project directly. Project assets that are not controlled by UN-Women are expensed as incurred. Leasehold improvements are recognized as assets, valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term. Impairment reviews are undertaken for all assets at least annually.

The estimated useful life ranges in years for property, plant and equipment classes are set out in the table below.

| *Class* | *Estimated useful life* |
|---|---|
| Land | Not applicable |
| Buildings | |
| Permanent | 50 |
| Temporary | 10 |
| Furniture and fixtures | 8 |
| Communications and information technology equipment | 5–6 |
| Vehicles | 7 |
| Machinery and equipment | 5 |
| Security equipment | 5 |

**(f) Intangible assets**

Under IPSAS, intangible assets with a finite life are carried at cost less accumulated amortization and any impairment loss. Intangible assets are capitalized provided they have a useful life of more than one year and a cost exceeding $5,000 for externally acquired and a cost exceeding $100,000 for internally generated. Amortization is provided on a straight-line basis on all intangible assets of finite life in accordance with its useful life. Where the intangible asset has an indefinite useful life, it will not be amortized but will be reviewed for impairment by comparing its recoverable service amount with its carrying amount.

The estimated useful life ranges in years for intangible asset classes are set out in the table below.

| *Class* | *Estimated useful life* |
|---|---|
| Externally acquired | 5 |
| Internally developed | 5 |
| Copyrights and patents | 3 |

**(g) Leases**

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under

operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The value of the future lease payments within the current lease term is disclosed in note 28.

Leases where the lessee retains a significant portion of the risks and rewards inherent to ownership are classified as finance leases. UN-Women has not entered into any finance leases.

**(h) Employee benefits**

UN-Women recognizes the following employee benefits:

(a) Short-term employee benefits, which fall due wholly within 12 months after the end of the accounting period in which employees render the related service;

(b) Long-term employee benefits, which are due to be settled beyond 12 months after the employees render the related service and include:

(i) Post-employment benefits (see Pension and After-Service Health Insurance below);

(ii) Other long-term employee benefits;

(c) Termination benefits.

Short-term employee benefits are measured at their nominal value based on accrued entitlements at current rates of pay. These benefits may include, at year-end, remuneration, accrued annual leave, home leave liability and other short-term benefits.

Post-employment benefits include pension plans, post-employment medical care, repatriation benefits and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

UN-Women is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UN-Women and the Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Entity's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UN-Women has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. The contributions of UN Women to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

The after-service health insurance plan extends subsidized health insurance coverage to retirees and their dependants under the same health insurance schemes as for active staff based on certain eligibility requirements. The after-service health insurance plan is a defined benefit plan.

Other long-term employee benefits are employee benefits that do not fall due wholly within 12 months after the end of the financial period and include long-term compensation in the event of death, injury or illness.

Termination benefits generally include indemnities for voluntary redundancy and are expected to be settled within 12 months of the reporting period.

**(i) Financial liabilities**

*Other financial liabilities*

Other financial liabilities are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into with duration of less than 12 months are recognized at their nominal value.

Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods are delivered or services are rendered and accepted by UN-Women. Liabilities are stated at invoice amounts less payment discounts at the reporting date. The liability is estimated where invoices are not available at the reporting date.

Other liabilities include deferred income, representing funds received in advance for future years from multi-year donor agreements which are apportioned by calendar year over the period of the agreement and recognized when conditions are met. Other payables represent reimbursable services rendered by the United Nations and United Nations agencies.

*Fair value through surplus or deficit financial liabilities*

Fair value through surplus or deficit financial liabilities are liabilities that are designated on initial recognition or are held for trading. They are initially recorded at fair value, and any transaction costs are expensed. The liabilities are measured at fair value again at each reporting date, and any resultant fair value gains or losses are recognized through surplus and deficit.

UN-Women classifies derivatives as financial liabilities at fair value through surplus and deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. These include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. As at 31 December 2017, UN-Women had no open foreign exchange derivative instruments positions in this category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UN-Women does not apply hedge accounting for derivatives.

**(j) Provisions and contingent liabilities**

Provisions are made for future liabilities and charges where UN-Women has a present legal or constructive obligation as a result of past events, it is probable that UN-Women shall be required to settle the obligation and a reliable estimate can be made of the obligation.

Other obligations, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence shall be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of UN-Women and the liability can be reliably estimated.

**(k) Commitments**

Commitments are future expenses to be incurred by UN-Women on contracts entered into by the reporting date and that the Entity has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UN-Women in a future period, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December 2017 is not recognized in the statement of financial position but is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

**Note 3**
**Change in accounting policy**

In 2016, a change to the Entity's revenue policy was implemented to mitigate the writing off of pledges, resulting in revenue for regular resources being recognized on a cash basis only. In the last quarter of 2017, that policy was reviewed, as some donors are now signing agreements for regular resources, and it was determined that UN-Women would accept signed agreements or letters of exchange from a designated official of a government, but not a pledge.

UN-Women amended its revenue recognition policy for non-exchange transactions for regular resources so that revenue will be recognized as revenue when there is a signed agreement or letter of exchange (from a designated official of a government), other than a pledge, or on a cash basis at the time that funds are received. Cash received relating to future financial years is recognized as deferred income at year-end. Where a signed agreement or letter of exchange is received from a donor the contribution will be recognized as revenue on the date of the last signature to the agreement (unless expressly stated otherwise in the agreement). For multi-year core contributions, revenue is recognized in the financial statements for the period to which the funds relate and are received in accordance with the payment schedule in the agreement, or, in the absence of a schedule of multiple payments, revenue will be recognized equally over the period of the agreement. This policy was applied prospectively from December 2017, as it was not practicable to estimate the effects of applying the policy retrospectively.

**Note 4**
**Critical accounting estimates and judgments**

The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates and management assumptions and judgment. The areas where estimates, assumptions or judgment are significant to the financial statements of UN-Women include, but are not limited to, post-employment benefits obligations, provisions, financial risk on accounts receivable and advances, accrued charges, contingent assets and liabilities, and degree of impairment of accounts receivable, advances, investments and property, plant and equipment. Actual results could differ from those estimates. Changes in estimates are recognized in the period in which they became known.

## Note 5
## Segment reporting

Segment reporting is required to evaluate an entity's past performance and to make decisions about an entity's future allocation of resources. UN-Women reports the following segments:

(a) The regular resources segment reflects the operations of voluntarily donated funds to UN-Women to be used to achieve the mandate of UN-Women at the discretion of the Executive Director of UN-Women;

(b) The other resources segment represents earmarked voluntarily donated funds to UN-Women for specific projects;

(c) The assessed resources segment represents sums assessed on Member States and transferred to UN-Women by the General Assembly.

Inter-segment transactions are disclosed in the segment reporting but eliminated in the statement of financial position and statement of financial performance.

## Statement of financial position by segment as at 31 December 2017

(Thousands of United States dollars)

| | 2017 | | | | |
|---|---|---|---|---|---|
| | *Regular resources* | *Other resources* | *Assessed resources* | *Total* | *31 December 2016* |
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 25 589 | 45 237 | 350 | 71 176 | 100 979 |
| Investments | 38 479 | 64 532 | 1 152 | 104 163 | 171 792 |
| Accounts receivable | 10 438 | 30 297 | 849 | 41 584 | 9 929 |
| Advances | 3 691 | 27 711 | 22 | 31 424 | 38 224 |
| Other assets | 17 883 | 647 | 1 079 | 19 609 | 10 226 |
| Inventories | 34 | – | – | 34 | 76 |
| **Current assets** | **96 114** | **168 424** | **3 452** | **267 990** | **331 226** |
| **Non-current assets** | | | | | |
| Investments | 82 087 | 145 118 | 1 122 | 228 327 | 114 414 |
| Other assets | 7 | – | – | 7 | 11 |
| Property, plant and equipment | 7 664 | 3 468 | 13 | 11 145 | 11 547 |
| Intangible assets | 224 | – | – | 224 | 291 |
| **Non-current assets** | **89 982** | **148 586** | **1 135** | **239 703** | **126 263** |
| **Total assets** | **186 096** | **317 010** | **4 587** | **507 693** | **457 489** |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable | 3 399 | 5 472 | (5) | 8 866 | 9 491 |
| Employee benefits | 7 414 | 3 293 | 775 | 11 482 | 10 606 |
| Other liabilities | 20 589 | 2 505 | – | 23 094 | 21 576 |
| **Current liabilities** | **31 402** | **11 270** | **770** | **43 442** | **41 673** |
| **Non-current liabilities** | | | | | |
| Employee benefits | 52 540 | 23 333 | 5 495 | 81 368 | 68 145 |
| **Total liabilities** | **83 942** | **34 603** | **6 265** | **124 810** | **109 818** |
| **Net assets** | **102 154** | **282 407** | **(1 678)** | **382 883** | **347 671** |
| **Net assets/equity** | | | | | |
| Accumulated surplus/(deficit) | 75 521 | 241 658 | (1 353) | 315 826 | 323 511 |
| Current year surplus/(deficit) | 8 503 | 30 599 | 533 | 39 635 | (5 472) |
| Reserves | 29 913 | – | – | 29 913 | 26 064 |
| Actuarial gains/(losses) | (12 975) | – | – | (12 975) | (7 033) |
| IPSAS reserve | 1 192 | 12 480 | (858) | 12 814 | 12 814 |
| Refunds to donors | – | (2 330) | – | (2 330) | (2 213) |
| **Total net assets/equity** | **102 154** | **282 407** | **(1 678)** | **382 883** | **347 671** |

Total net assets/equity in accordance with the statement of financial position by segment includes:

(a) Regular resources: the cash required to fund operations for the first few months of the new financial year while UN-Women waits for new voluntary contributions from donor governments;

(b) Other resources: the unspent budgets for earmarked projects and programmes which will be expensed in future periods in accordance with donor agreements.

UN-Women costs for acquisitions of property, plant and equipment and intangible assets from both regular and other resources are summarized in the table below.

(Thousands of United States dollars)

| | *2017* | | | |
|---|---|---|---|---|
| | *Regular resources* | *Other resources* | *Total* | *2016* |
| Property, plant and equipment | 1 068 | 1 721 | 2 791 | 3 270 |
| Intangible assets | 9 | 4 | 13 | 121 |
| **Total** | **1 079** | **1 725** | **2 804** | **3 391** |

## Statement of financial performance by segment for the year ended 31 December 2017

(Thousands of United States dollars)

| | *2017* | | | | | |
|---|---|---|---|---|---|---|
| | *Regular resources* | *Other resources* | *Assessed resources* | *Elimination* | *Total* | *2016* |
| **Revenue** | | | | | | |
| Contributions | 146 409 | 214 241 | 8 314 | – | 368 964 | 327 353 |
| Investment revenue | 2 404 | 4 251 | – | – | 6 655 | 3 432 |
| Other revenue | 1 058 | 13 694 | 978 | (13 686) | 2 044 | 3 636 |
| Exchange transactions revenue | – | 587 | – | – | 587 | 148 |
| **Total revenue** | **149 871** | **232 773** | **9 292** | **(13 686)** | **378 250** | **334 569** |
| **Expenses** | | | | | | |
| Employee benefits | 74 818 | 33 227 | 7 825 | – | 115 870 | 114 271 |
| Contractual services | 20 202 | 67 744 | 172 | – | 88 118 | 90 827 |
| Grants and other transfers | 9 | 9 109 | – | – | 9 118 | 9 381 |
| Supplies and maintenance | 2 410 | 7 750 | 43 | – | 10 203 | 8 920 |
| Operating costs | 30 596 | 58 959 | 432 | (13 686) | 76 301 | 77 069 |
| Travel costs | 10 317 | 19 865 | 273 | – | 30 455 | 31 302 |
| Depreciation and amortization | 2 360 | 811 | 3 | – | 3 174 | 2 912 |
| Finance costs | 94 | 164 | – | – | 258 | 185 |
| Other expenses | 562 | 4 547 | 9 | – | 5 118 | 5 174 |
| **Total expenses** | **141 368** | **202 176** | **8 757** | **(13 686)** | **338 615** | **340 041** |
| **Surplus/(deficit) for the period** | **8 503** | **30 597** | **535** | **–** | **39 635** | **(5 472)** |

The elimination items represent the indirect costs charged by UN-Women in relation to the management of other resources and are based on the rate of recovery

of 8 per cent established by the Executive Board of UN-Women in its decision 2013/2 of 8 February 2013, with effect from 1 January 2014 (7 per cent in prior years). These indirect costs charged have been recognized during the year as an increase in support cost income, and at year-end those amounts comprised the elimination items.

## Note 6
## Cash and cash equivalents

(Thousands of United States dollars)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Cash in bank accounts | 26 226 | 7 503 |
| Petty cash | 19 | 31 |
| Money market, term deposits and commercial paper | 44 931 | 93 445 |
| **Total** | **71 176** | **100 979** |

Cash and cash equivalents comprise balances held by field offices, money market account balances, term deposits and commercial paper with terms of less than three months. Cash required for immediate disbursement is maintained in cash and bank accounts. Money market and deposit accounts are available at short notice. Cash and cash equivalents relates to both regular resources and other resources.

## Note 7
## Investments

(Thousands of United States dollars)

| | *Closing balance 31 December 2017* | *Closing balance 31 December 2016* |
|---|---|---|
| **Current investments** | | |
| Investments — held to maturity | 104 071 | 171 792 |
| Investments — available for sale | 92 | – |
| **Total current investments** | **104 163** | **171 792** |
| **Non-current investments** | | |
| Investments — held to maturity | 184 314 | 76 421 |
| Investments — available for sale | 44 013 | 37 993 |
| **Total non-current investments** | **228 327** | **114 414** |
| **Total investments** | **332 490** | **286 206** |

Investments include held-to-maturity and available-for-sale financial assets that are managed by UNDP and available-for-sale assets that are held and managed by external investment managers.

UN-Women had no impaired investments during the year. The exposure of UN-Women to credit risk, market risk and currency risks, and its risk management activities related to financial assets, including investments, are discussed in note 25.

The Entity's cash and cash equivalents and investments include funding for after-service health insurance, repatriation and death benefits in the amount of $53.9 million, in accordance with note 15, operational reserve, in the amount of $24.9 million, and field accommodation reserve, in the amount of $1 million, in accordance with note 18. Investments relate to both regular resources and other resources.

## 7.1
## Investments — held-to-maturity financial assets

(Thousands of United States dollars)

| | *Closing balance 31 December 2016* | *Purchases* | *Maturities* | *Amortization* | *Unrealized gains losses* | *Reclassification non-current to current* | *Closing balance 31 December 2017* | *Fair value* |
|---|---|---|---|---|---|---|---|---|
| **Current investments** | | | | | | | | |
| Money-market instruments | 30 002 | 40 000 | (70 000) | (2) | – | 10 000 | 10 000 | 10 000 |
| Bonds and notes | 141 790 | 45 341 | (161 525) | (606) | – | 69 071 | 94 071 | 93 937 |
| **Subtotal** | **171 792** | **85 341** | **(231 525)** | **(608)** | – | **79 071** | **104 071** | **103 937** |
| **Non-current investments** | | | | | | | | |
| Money-market instruments | – | 10 000 | – | – | – | (10 000) | – | – |
| Bonds and notes | 76 421 | 177 246 | – | (282) | – | (69 071) | 184 314 | 183 470 |
| **Subtotal** | **76 421** | **187 246** | – | **(282)** | – | **(79 071)** | **184 314** | **183 470** |
| **Total investments held to maturity** | **248 213** | **272 587** | **(231 525)** | **(890)** | – | – | **288 385** | **287 407** |

Held-to-maturity financial assets are carried at amortized cost calculated by using the effective interest method. As at 31 December 2017, the fair value of those assets was lower than the book value by $1 million. Fair values are based on quoted market prices from reputable vendors. The average yield on investments for 2017 was 1.39 per cent (2016: 0.88 per cent).

## 7.2
## Investments — available-for-sale financial assets

(Thousands of United States dollars)

| | *Closing balance 31 December 2017* | *Closing balance 31 December 2016* |
|---|---|---|
| **Current investments** | | |
| Bonds | 92 | – |
| **Total current investments** | **92** | – |
| **Non-current investments** | | |
| Equities | 23 780 | 22 912 |
| Equities — fair value adjustments | 4 150 | 423 |
| Bonds | 16 078 | 15 128 |
| Bonds — fair value adjustments | 5 | (470) |
| **Total non-current investments** | **44 013** | **37 993** |
| **Total available-for-sale investments** | **44 105** | **37 993** |

Available-for-sale financial assets represent investments managed by external investment managers for after-service health insurance (see notes 7 and 25).

## Note 8
## Accounts receivable

(Thousands of United States dollars)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Contributions receivable | 41 866 | 9 929 |
| Less: allowance for impairment of receivables | (282) | – |
| **Total accounts receivable** | **41 584** | **9 929** |

Contributions receivable represents uncollected revenue committed to UN-Women by donors. The allowance for impairment on receivables is calculated based on an aged analysis of the outstanding balance.

## Note 9
## Advances

(Thousands of United States dollars)

| | | *31 December 2017* | | *31 December 2016* |
|---|---|---|---|---|
| Advances provided to United Nations agencies | | 4 506 | | 6 841 |
| Advances provided to other partners | | 25 262 | | 30 343 |
| *Shown by fund type*: | | | | |
| Regular resources (unearmarked) | 1 413 | | 2 353 | |
| Other resources (earmarked) | | | | |
| Cost-sharing | 12 686 | | 17 249 | |
| Trust Fund to End Violence against Women | 8 988 | | 7 630 | |
| Fund for Gender Equality | 2 175 | | 3 111 | |
| Less: Allowance for impairment of advances to partners | | (153) | | (666) |
| **Subtotal** | | **29 615** | | **36 518** |
| Advances to staff | | 1 809 | | 1 706 |
| **Total advances** | | **31 424** | | **38 224** |

Advances from non-exchange transactions relates to transfers made to partners in connection with programme execution, and to staff. Such advances are recognized as an asset and are stated at historical cost less an allowance for impairment.

Advances to partners are reduced and expenses are recognized when certified expense reports are received from partners. As at 31 December 2017, approximately 98.4 per cent of the total outstanding advances provided to partners are aged less than 12 months and relate to implementation of programmatic activities.

Advances to staff include salary and rental advances and prepaid education grants, which are generally settled within a 12-month period.

## Note 10
## Other assets

(Thousands of United States dollars)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Current assets** | | |
| Interest and dividends receivable | 1 691 | 1 295 |
| Derivative assets | 11 196 | 60 |
| Security deposit | 4 | – |
| Receivables from United Nations agencies | | |
| United Nations Development Programme | 3 525 | 6 973 |
| United Nations Capital Development Fund | – | 25 |
| Miscellaneous accounts receivable | 3 193 | 1 873 |
| **Subtotal** | **19 609** | **10 226** |
| **Non-current assets** | | |
| Security deposit | 7 | 11 |
| **Subtotal** | **7** | **11** |
| **Total other assets** | **19 616** | **10 237** |

Miscellaneous accounts receivable includes value added tax/sales tax, rental and tax reimbursements due from the United Nations, miscellaneous receivables due and expenditures paid in advance. Derivative assets represent a foreign exchange trade contracted with a creditworthy institution and used to manage foreign exchange risk, related to investment settlements payable (see note 16).

## Note 11
## Inventories

(Thousands of United States dollars)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| No-charge technical publications | 34 | 76 |
| **Total inventories** | **34** | **76** |

## Note 12
## Property, plant and equipment

(Thousands of United States dollars)

| | *Building* | *Communication and information technology equipment* | *Furniture and fixtures* | *Vehicles* | *Heavy machinery equipment* | *Security equipment* | *Leasehold improvements* | *Total* |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2016** | | | | | | | | |
| Cost | 1 647 | 8 111 | 1 047 | 8 044 | 1 133 | 742 | 2 270 | 22 994 |
| Accumulated depreciation | (292) | (4 604) | (505) | (4 256) | (671) | (353) | (766) | (11 447) |
| **Net book value** | **1 355** | **3 507** | **542** | **3 788** | **462** | **389** | **1 504** | **11 547** |

| | *Building* | *Communication and information technology equipment* | *Furniture and fixtures* | *Vehicles* | *Heavy machinery equipment* | *Security equipment* | *Leasehold improvements* | *Total* |
|---|---|---|---|---|---|---|---|---|
| **Movements year to 31 December 2017** | | | | | | | | |
| Additions | 312 | 1 168 | 96 | 933 | 131 | 96 | 188 | 2 924 |
| Receipt accrual | – | – | (15) | – | – | (23) | (6) | (44) |
| Cost adjustments | – | (22) | (4) | 9 | (4) | 1 | (69) | (89) |
| Transfers | (5) | 10 | – | – | (7) | (3) | 5 | – |
| Transfers — accumulated depreciation | – | (5) | – | – | 3 | 2 | – | – |
| Retirements | – | (515) | (36) | (138) | (77) | (14) | (21) | (801) |
| Retirements — accumulated depreciation | – | 475 | 15 | 123 | 61 | 12 | 16 | 702 |
| Depreciation | (117) | (1 203) | (130) | (937) | (171) | (131) | (405) | (3 094) |
| **Closing net book value as at 31 December 2017** | **1 545** | **3 415** | **468** | **3 778** | **398** | **329** | **1 212** | **11 145** |
| **At 31 December 2017** | | | | | | | | |
| Cost | 1 954 | 8 752 | 1 088 | 8 848 | 1 176 | 799 | 2 367 | 24 984 |
| Accumulated depreciation | (409) | (5 337) | (620) | (5 070) | (778) | (470) | (1 155) | (13 839) |
| **Net book value** | **1 545** | **3 415** | **468** | **3 778** | **398** | **329** | **1 212** | **11 145** |

Assets are reviewed annually to determine if there is any impairment in their value, and as at 31 December 2017 UN-Women did not have any impairment on property, plant and equipment. UN-Women holds fully depreciated property, plant and equipment which is still in use, with a cost of $4.3 million as at 31 December 2017. Additions under the "Building" category include in-kind contributions of $0.3 million.

## Note 13
## Intangible assets

(Thousands of United States dollars)

| | *Externally acquired software* | *Total* |
|---|---|---|
| **At 31 December 2016** | | |
| Cost | 390 | 390 |
| Accumulated amortization | (99) | (99) |
| **Closing net book value as at 31 December 2016** | **291** | **291** |
| **Movements year to 31 December 2017** | | |
| Additions | 20 | 20 |
| Cost adjustments | (7) | (7) |
| Amortization | (80) | (80) |
| **Closing net book value as at 31 December 2017** | **224** | **224** |
| **At 31 December 2017** | | |
| Cost | 403 | 304 |

| | *Externally acquired software* | *Total* |
|---|---|---|
| Accumulated amortization | (179) | (80) |
| **Net book value** | **224** | **224** |

## Note 14
## Accounts payable

(Thousands of United States dollars)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Payables to third parties | 6 965 | 6 865 |
| Payables to United Nations agencies | | |
| United Nations Capital Development Fund | 1 | – |
| United Nations Population Fund | 189 | 115 |
| Accruals | 1 711 | 2 511 |
| **Total accounts payable** | **8 866** | **9 491** |

Payables to third parties are related to amounts due for goods and services for which invoices have been received. Payables to United Nations agencies represent expenditures incurred on behalf of UN-Women which are settled in the following year.

Accruals represent estimates for the value of goods or services received, for which invoices have not yet been received and for which the liability has occurred and can be reasonably estimated.

## Note 15
## Employee benefits

(Thousands of United States dollars)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Current employee benefits** | | |
| Accrued annual leave | 8 291 | 7 981 |
| Accrued home leave | 1 405 | 1 413 |
| After-service health insurance | 503 | 399 |
| Repatriation benefits | 1 269 | 792 |
| Death benefit | 14 | 21 |
| **Subtotal** | **11 482** | **10 606** |
| **Non-current employee benefits** | | |
| After-service health insurance | 67 450 | 55 353 |
| Repatriation benefits | 13 760 | 12 577 |
| Death benefit | 158 | 215 |
| **Subtotal** | **81 368** | **68 145** |
| **Total employee benefits** | **92 850** | **78 751** |

**(a) Current employee benefits**

The current portion of employee benefits includes annual leave and home leave calculated in accordance with the United Nations Staff Rules and Regulations. Also included are the current portions of accrued after-service health insurance, repatriation benefits and death benefits, as determined by actuarial valuation.

**(b) Non-current employee benefits**

The non-current portion of employee benefits includes the non-current portions of after-service health insurance, repatriation benefits and death benefits, as determined by actuarial valuation.

**Actuarial valuations**

The actuarial valuation for after-service health insurance, repatriation benefits and death benefits was prepared for the purpose of providing results for financial disclosure and reporting as at 31 December 2017 in accordance with IPSAS 25: Employee benefits.

**After-service health insurance**

UN-Women provides end-of-service medical benefits for its eligible former staff members and their dependants in the form of insurance premiums for the medical and accident insurance plan. Eligible former staff members are 55 years of age and older and have 5 or more years of service for staff hired before 1 July 2007, or 10 or more years of service for staff hired on or after 1 July 2007 of contributory health insurance coverage prior to retirement.

The non-current portion of after-service health insurance of $67.5 million includes an obligation for active staff — not yet fully eligible amounting to $42.6 million, which represents active employees who are not yet eligible as of the valuation date and are determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of $47.6 million as at 31 December 2017, and a funding plan for providing 8 per cent commenced from 1 January 2014. The majority of the assets held to support the plan are separately invested in an after-service health insurance investment account by external fund managers (see notes 7 and 25).

The present value of the defined benefit obligations for post-employment medical insurance is determined using the projected unit credit method, including discounting the estimated future cash outflows.

**Repatriation benefits**

UN-Women provides end-of-service repatriation benefits (grant and travel and shipment of personal effects) for its eligible staff members and their dependants upon separation. Eligible staff are international appointments who have been separated from active service after qualifying service of one year or longer, who resided at the last duty station outside their country of nationality and have not been summarily dismissed or separated from service on grounds of abandonment of post.

The non-current portion of repatriation benefits of $13.8 million includes an obligation for active staff — not yet fully eligible amounting to $14.3 million, which represents active employees who are not yet eligible as of the valuation date and which is determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of $6 million as at 31 December 2017, and a funding plan for providing 3.75 per cent commenced from 1 January 2014. The assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

**Death benefits**

Death benefit is a post-employment defined-benefit plan. The obligation to provide this entitlement is generated when eligible employees report for service. The payment is made upon the death of an employee who leaves behind a surviving spouse or a dependent child. Staff members on full-time continuous service, on fixed-term, or continuing or permanent appointment are eligible to receive death benefits provided that the staff members are married or have dependent children at their death. No benefit is payable in the case of staff members who are unmarried and/or without recognized dependent children. The plan is fully funded to the amount of $0.2 million as at 31 December 2017 and the assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

The movement in the present value of the defined benefit in accordance with the actuarial valuation was as follows:

(Thousands of United States dollars)

| | *After-service health insurance* | *Repatriation benefits* | *Death benefit* |
|---|---|---|---|
| **Restated net defined benefit obligation at the beginning of the year** | **55 752** | **13 369** | **236** |
| **Increase of the obligation** | | | |
| Service cost | 5 016 | 1 215 | 17 |
| Interest on obligation | 2 377 | 481 | 8 |
| Actuarial loss/(gain) | 5 224 | 785 | (67) |
| **Decrease of the obligation** | | | |
| Benefit payments | (416) | (821) | (22) |
| **Net recognized liability at the end of the year** | **67 953** | **15 029** | **172** |

The benefit payments set out in the table above are estimated on the basis of the 2015 year-end actuarial valuations. As at 31 December 2017, actual benefit payments made by UN-Women were after-service health insurance in the amount of $0.3 million and repatriation benefits in the amount of $0.7 million. No payments related to death benefits were made.

The annual expense amounts recognized in the statement of financial performance are as follows:

(Thousands of United States dollars)

| | *After-service health insurance* | *Repatriation benefits* |
|---|---|---|
| Service cost | 5 016 | 1 215 |
| Interest on obligation | 2 377 | 481 |
| **Total expenses recognized** | **7 393** | **1 696** |

**Actuarial assumptions**

The end-of-service liabilities were valued using yield curves provided by Aon Hewitt as at 31 December 2017 in order to maintain consistency in actuarial assumptions across the United Nations system. Actuarial valuations were performed using the full discount curves, and once the results were obtained, single equivalent discount rates per scheme were determined for disclosure purposes. The single equivalent discount rates determined for each scheme are: after-service health insurance 3.99 per cent; repatriation grant 3.60 per cent; and death benefits 3.53 per cent. A review was conducted by the actuary of a number of sources and the long-term rate of inflation assumption was based on 2.20 per cent. Other actuarial assumptions were:

| | |
|---|---|
| Health-care cost trend rates (varies by medical plan) | 3.65–3.85% |
| Salary increase rate (varies by age and staff category) | 3.5–9.3% |
| Per capita claim cost (varies by age) | $1 089–$16 345 |

Benefits under the after-service health insurance plans are attributed in proportion to the years of service from date of hire until full eligibility date, in accordance with the straight-line basis method. Repatriation benefits are attributed based on the benefit formula. Benefits under the death benefit plan are attributed in proportion to the years of service from the date of hire until full eligibility date, in accordance with the straight-line basis method.

Assumptions regarding future mortality are based on published statistics and mortality tables. The current rates of death underlying the values of the liabilities in the after-service health insurance and repatriation calculations are as follows:

| *Rates of death — Pre-retirement* | *At age 20* | *At age 69* |
|---|---|---|
| Male | 0.00056 | 0.00718 |
| Female | 0.00031 | 0.00435 |

| *Rates of death — Post-retirement* | *At age 20* | *At age 70* |
|---|---|---|
| Male | 0.00062 | 0.00913 |
| Female | 0.00035 | 0.00561 |

| *Rate of retirement — Professionals with 30 or more years of experience* | *At age 55* | *At age 70* |
|---|---|---|
| Male | 0.25 | 1.00 |
| Female | 0.25 | 1.00 |

If the assumptions described above were to change, in accordance with the actuarial report, this would have an impact on the measurement of defined benefit obligations and current service and interest costs as shown in the table below.

(Thousands of United States dollars)

| | *Change* | *After-service health insurance* | *Repatriation benefits* | *Death benefits* |
|---|---|---|---|---|
| **Impact of change in assumptions** | | 67 953 | 15 029 | 173 |
| Discount rate sensitivity to end-of-year liability | | | | |
| Increase of discount rate by | 1% | (14 047) | (1 485) | (19) |
| As a percentage of end-of-year liability | | -21% | -10% | -8% |
| Decrease of discount rate by | (1%) | 19 237 | 1 755 | 21 |
| As a percentage of end-of-year liability | | 28% | 12% | 9% |
| **Effect of change in assumed health-care cost trend rates** | | | | |
| Effect on year-end accumulated post-employment benefit obligation | | | | |
| Increase of health-care cost trend rate by | 1% | 19 373 | Not applicable | Not applicable |
| Decrease of health-care cost trend rate by | (1%) | (14 374) | Not applicable | Not applicable |
| Effect on combined service and interest cost components on net | | | | |
| Increase of health-care cost trend rate by | 1% | 2 892 | Not applicable | Not applicable |
| Decrease of health-care cost trend rate by | (1%) | (2 083) | Not applicable | Not applicable |

The best estimate of contributions expected by UN-Women to be paid for the next 12 months for after-service health insurance is $0.5 million, and for repatriation benefits, $1.3 million.

### United Nations Joint Staff Pension Fund

The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The financial obligation of UN-Women to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

During 2017, the Pension Fund identified anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As a result, as an exception to the normal biannual cycle, a roll forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Pension Fund for its financial statements for 2016. An actuarial valuation as at 31 December 2017 is currently being performed.

The roll forward of the participation data as at 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2016, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

During 2017, the Entity's contributions paid to the Pension Fund amounted to $14.2 million (in 2016, $14.1 million).

The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed by visiting the Fund's website at www.unjspf.org.

### (c) Changes to employee benefits

The General Assembly adopted resolution 70/244 on 23 December 2015, deciding on a series of changes to the conditions of service and future entitlements for all staff serving in the United Nations common system, including UN-Women. The significant changes include: (a) raising the mandatory age of separation for staff recruited before 1 January 2014 to 65 years, to be implemented by 1 January 2018, taking into account the acquired rights of staff; (b) a revised base/floor scale of gross and net salaries for staff in the Professional and higher categories with effect from 1 January 2017; and (c) proposals on the United Nations common system compensation package with effect from 1 July 2016. The implementation of those decisions has been reflected in the 2017 actuarial valuation of employee benefit liabilities.

## Note 16
## Other liabilities

(Thousands of United States dollars)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| Deferred income | 317 | 1 340 |
| Funds received in advance | 695 | 930 |
| Investment settlements payable | 11 347 | 10 229 |
| Other accruals | 9 999 | 6 558 |
| Other payables | 736 | 2 519 |
| **Other current liabilities** | **23 094** | **21 576** |

Deferred income represents funds received in advance for future years from multi-year donor agreements, which are apportioned by calendar year over the period of the agreement and recognized when conditions are met. Funds received in advance represents funds held on behalf of donors pending conditions of allocation or payment.

Investment settlements payable represents a foreign exchange trade, completed in February 2018 (2016: January 2017), related to derivative assets (see note 10). Other accruals represent funds accrued for payments relating to security, learning, information and communications technology, audit and reimbursements due to United Nations jointly funded activities. Other payables represent reimbursable services rendered by the United Nations and United Nations agencies and other liabilities.

## Note 17
## Accumulated surplus or deficit

The movement in the accumulated surplus or deficit during the year is shown below.

(Thousands of United States dollars)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Accumulated surplus/(deficit) at the beginning of the year** | **321 607** | **332 612** |
| Current-year surplus/(deficit) | 39 635 | (5 472) |
| Transfer to operational reserve | – | – |
| Refunds to donors | (2 330) | (2 213) |
| Actuarial gain/(loss) | (5 942) | (3 320) |
| **Accumulated surplus/(deficit) at the end of the year** | **352 970** | **321 607** |

### (a) IPSAS reserve

The accumulated surplus includes a balance of $12.8 million relating to IPSAS reserves. There were no adjustments to the IPSAS reserves during the year.

### (b) Refunds to donors

Refunds to donors represents funds returned to donors in accordance with agreements after the completion of activities for projects and programmes. In 2017, refunds to donors included $0.1 million relating to other resources which were converted into regular resources contributions in the 2017 financial year.

### (c) Actuarial gains or losses

Actuarial losses relating to after-service health insurance and repatriation benefit obligations in the amount of $5.9 million are accounted for using the "reserve recognition" approach and are recognized through net assets in the statement of financial position and in the statement of changes in net assets in the year in which they occur (see note 15).

## Note 18
## Reserves

The movement in the reserves during the year is shown below.

(Thousands of United States dollars)

| | *31 December 2017* | *Movements* | *31 December 2016* |
|---|---|---|---|
| Operational reserve | 24 900 | – | 24 900 |
| Field accommodation reserve | 1 000 | – | 1 000 |
| Changes in fair value of available-for-sale investments | 4 013 | 3 849 | 164 |
| **Total reserves** | **29 913** | **3 849** | **26 064** |

### (a) Operational reserve

UN-Women maintains an operational reserve of $24.9 million, the purpose of which is to guarantee the financial viability and integrity of the agency. The reserve is fully funded and held in irrevocable and promptly available liquid assets which are included in the pool of investments of UN-Women. The elements to be compensated for and covered by it shall be limited to downward fluctuations or shortfalls in resources: uneven cash flows; increases in actual costs as compared to planning estimates or fluctuations in delivery; and other contingencies that result in a loss of resources for which UN-Women has made commitments for programming. No increase was made to the operational reserve in 2017.

### (b) Field accommodation reserve

A reserve for field office accommodation of $1 million was established in accordance with Executive Board decision 2012/8. With the establishment of regional offices and the ongoing potential for increased participation in United Nations common premises, UN-Women may incur additional costs to finance its share. UN-Women can make drawdowns from the reserve, which will be replenished from the accumulated surplus on an annual basis.

## Note 19
## Voluntary contributions

(Thousands of United States dollars)

| | *2017* | *2016* |
|---|---|---|
| Contributions | 359 030 | 318 254 |
| Contributions in kind | 1 620 | 1 484 |
| **Total voluntary contributions** | **360 650** | **319 738** |

In-kind contributions representing rent provided by governments and United Nations agencies ($1.3 million) and donated assets ($0.3 million) amounted to $1.6 million. In-kind services provided to UN-Women during the year amounted to $7.8 million (2016 $8.6 million) and are not recorded as income in these financial statements, in accordance with the accounting policies of UN-Women.

## Note 20
## Assessed contributions

(Thousands of United States dollars)

| | *2017* | *2016* |
|---|---|---|
| Assessed contributions | 8 314 | 7 615 |
| **Total assessed contributions** | **8 314** | **7 615** |

Assessed contributions are issued as an annual allotment from the United Nations regular budget.

## Note 21
## Investment revenue

(Thousands of United States dollars)

| | *2017* | *Restated 2016* |
|---|---|---|
| Interest revenue | 7 123 | 5 604 |
| Amortization on investments | (962) | (2 365) |
| Dividend income | 494 | 193 |
| **Total investment income** | **6 655** | **3 432** |

Amortization on investments relates to the net bond income balance from amortizing of premiums (debit) and discounts (credit). These premiums and discounts are part of the initial purchase price of bonds and, in observance of accrual accounting principle, are amortized to maturity or call. A debit has resulted because the average bond portfolio during 2017 was overwhelmingly composed of premium bonds.

## Note 22
## Other revenue

(Thousands of United States dollars)

| | *2017* | *2016* |
|---|---|---|
| Currency exchange gains | 923 | 3 601 |
| Miscellaneous revenue | 1 121 | 35 |
| Fees and support services | 13 686 | 12 604 |
| Less elimination | (13 686) | (12 604) |
| **Total other revenue** | **2 044** | **3 636** |

The elimination items represent the indirect costs charged by UN-Women in relation to the management of other resources and are based on the rate of recovery of 8 per cent established by the UN-Women Executive Board in its decision 2013/2, with effect from 1 January 2014 (see note 5).

## Note 23
## Exchange transactions revenue

(Thousands of United States dollars)

| | *2017* | *2016* |
|---|---|---|
| Exchange transactions revenue | 587 | 148 |
| **Total exchange transactions revenue** | **587** | **148** |

Revenue from exchange transactions represents the delivery of products and training for gender equality courses, to other United Nations entities, governments, civil society organizations and the general public.

## Note 24
## Expenses

(Thousands of United States dollars)

| | 2017 | 2016 |
|---|---|---|
| **Employee benefits** | | |
| Salary and wages | 79 354 | 79 207 |
| Pension benefits | 14 211 | 14 177 |
| Post-employment and termination benefits | 10 015 | 8 729 |
| Leave benefits | 1 696 | 2 024 |
| Other employee benefits | 10 593 | 10 132 |
| Related agency costs | 1 | 2 |
| **Subtotal** | **115 870** | **114 271** |
| **Contractual services** | | |
| Contract services with individuals | 60 284 | 62 346 |
| Contract services with companies | 25 669 | 26 757 |
| United Nations Volunteers costs | 2 165 | 1 724 |
| **Subtotal** | **88 118** | **90 827** |
| **Grants and other transfers** | **9 118** | **9 381** |
| **Supplies and maintenance** | | |
| Maintenance and non-capitalized property | 6 683 | 6 219 |
| Maintenance and non-capitalized information technology and communications equipment | 1 411 | 107 |
| Maintenance and non-capitalized software and licences | 996 | 900 |
| Consumables | 1 113 | 1 694 |
| **Subtotal** | **10 203** | **8 920** |
| **Operating costs** | | |
| Communication costs | 15 115 | 16 715 |
| Learning, training and recruitment costs | 26 370 | 26 562 |
| Support services paid to United Nations agencies | 8 175 | 7 273 |
| Insurance/warranties | 168 | 147 |
| Rent, leases, utilities | 17 137 | 16 485 |
| Professional services | 2 165 | 2 276 |
| Freight costs | 83 | 96 |
| Other operating costs | 5 056 | 4 977 |
| General management costs | 2 032 | 2 538 |
| **Subtotal** | **76 301** | **77 069** |
| **Travel costs** | | |
| Tickets | 11 779 | 13 692 |
| Daily subsistence allowance | 15 717 | 14 828 |
| Other | 2 959 | 2 782 |
| **Subtotal** | **30 455** | **31 302** |

| | 2017 | 2016 |
|---|---|---|
| **Depreciation and amortization** | **3 174** | **2 912** |
| **Finance costs** | | |
| Bank charges | 258 | 185 |
| **Subtotal** | **258** | **185** |
| **Other expenses** | | |
| Stationery and other project expenses | 4 060 | 4 068 |
| Currency exchange losses | 1 011 | 1 109 |
| Losses on property, plant and equipment | 64 | 25 |
| Impairment and prior and current period write-offs | (17) | (28) |
| **Subtotal** | **5 118** | **5 174** |
| **Total expenses** | **338 615** | **340 041** |

Allowance for impairment of advances to partners under "other expenses" is a negative balance in 2017 owing to the reduction in the allowance from 2016.

## Note 25
## Financial risks

The investment activities of UN-Women are carried out by UNDP under a service-level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UN-Women. Investments are registered in the name of UN-Women with marketable securities held by a custodian appointed by UNDP.

The principal objectives of the investment guidelines (listed in order of importance) are:

(a) Safety — preservation of capital, provided through investing in high quality fixed-income securities emphasizing the creditworthiness of the issuers;

(b) Liquidity — flexibility to meet cash requirements through investments in highly marketable fixed-income securities and through structuring maturities to align with liquidity requirements;

(c) Revenue — maximization of investment revenue within the foregoing safety and liquidity parameters.

The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions have complied with the established investment guidelines. UN-Women receives a detailed monthly and quarterly investment performance report from UNDP which shows the composition and performance of the investment portfolio. The Director of Management and Administration, the Deputy Director of Financial Management and the Chief of Budget meet with the UNDP Treasury each quarter to review the investment portfolio performance of UN-Women and provide updated cash flow projections.

In 2016, UN-Women outsourced a portion of the investment management of its after-service health insurance funds. This was done to ensure an adequate level of investment return given the longer-term nature of the liabilities. Holdings may include cash and cash equivalents, equities and fixed-income securities. As at 31 December 2017, this portfolio was classified as available for sale.

The external investment managers are governed by the after-service health insurance investment guidelines. The guidelines ensure that all of the investment activities reflect the best conditions of security, accountability and social responsibility while operating in full compliance with the highest standards of quality, efficiency, competence and integrity. These guidelines are reviewed and approved on a periodic basis by the after-service health insurance investment committee, of which UN-Women is a member. The investment committee meets regularly and receives monthly reports from the external investment managers.

UN-Women is susceptible to a variety of financial risks arising from financial instruments to which the Organization is exposed, including:

(a) Credit risk — the possibility that third parties may not pay amounts when due;

(b) Liquidity risk — the possibility that UN-Women might not have adequate funds to meet its current obligations as they fall due;

(c) Market risk — the possibility that UN-Women might incur significant financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and prices of investment securities.

The tables below show the value of financial assets outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

| | *Held to maturity* | *Available for sale* | *Receivables* | *Fair value through surplus or deficit* | *31 December 2017* | *31 December 2016* |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | – | – | 71 176 | – | 71 176 | 100 979 |
| Investments | 288 385 | 44 105 | – | – | 332 490 | 286 206 |
| Accounts receivable | – | – | 41 584 | – | 41 584 | 9 929 |
| Advances | – | – | 31 424 | – | 31 424 | 38 224 |
| Other assets | – | – | 19 616 | – | 19 616 | 10 237 |
| **Total financial assets** | **288 385** | **44 105** | **163 800** | – | **496 290** | **445 575** |

Held-to-maturity financial assets are carried at amortized cost and, as at 31 December 2017, the market value of those assets was lower than book value by $1 million. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2017, available-for-sale assets were carried at fair market value based on quoted prices obtained from knowledgeable third parties. UN-Women had no outstanding balances of financial assets classified as fair value through surplus or deficit.

The tables below show the value of financial liabilities outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

| | *Other financial liabilities* | *Fair value through surplus or deficit* | *31 December 2017* | *31 December 2016* |
|---|---|---|---|---|
| Accounts payable | 8 866 | – | 8 866 | 9 491 |
| Other liabilities | 23 094 | – | 23 094 | 21 576 |
| **Total financial liabilities** | **31 960** | – | **31 960** | **31 067** |

As at 31 December 2017, UN-Women had no outstanding financial liabilities recorded at fair value through surplus or deficit. The carrying value of other financial liabilities is a reasonable approximation of their fair value.

### Credit risk

UN-Women is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, investments, receivables from contributions, advances and other receivables.

UN-Women operates bank accounts in five currencies and in four countries: Norway, Sweden, the United Kingdom of Great Britain and Northern Ireland and the United States of America. For other currencies, UN-Women uses the bank accounts of UNDP and relies upon the risk management processes of UNDP. UN-Women is exposed to default risk of those financial institutions.

With regard to its financial instruments, the UNDP investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the investment guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereigns, supranationals, governmental or federal agencies, and banks. Investment activities are carried out by UNDP and UN-Women offices are not authorized to perform investment activities.

Credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate credit risk of financial instruments. As at 31 December 2017, the financial investments of UN-Women were in investment grade instruments, as shown in the table below (presented using Standard & Poor's rating convention).

### Credit ratings of investments under UNDP management

(Thousands of United States dollars)

| *31 December 2017* | *AAA* | *AA+* | *AA-* | *AA* | *A+* | *A* | *Total* |
|---|---|---|---|---|---|---|---|
| Money-market instruments | – | – | – | 10 000 | – | – | 10 000 |
| Bonds and notes | 152 498 | 14 957 | 56 020 | 29 020 | 9 999 | 15 001 | 278 385 |
| **Total** | **152 498** | **14 957** | **56 020** | **39 920** | **9 999** | **15 001** | **288 385** |

| *31 December 2016* | *AAA* | *AA+* | *AA-* | *AA* | *A+* | *A* | *Total* |
|---|---|---|---|---|---|---|---|
| Term deposit | – | – | 40 000 | – | 19 000 | – | 59 000 |
| Money-market instruments | – | – | – | – | 15 002 | – | 15 002 |
| Bonds and notes | 115 020 | 6 530 | 51 424 | 32 620 | 12 617 | – | 218 211 |
| **Total** | **115 020** | **6 530** | **91 424** | **32 620** | **46 619** | – | **292 213** |

**Credit ratings of investments under external investment managers**

(Thousands of United States dollars)

| *31 December 2017* | *AAA* | *AA+* | *AA-* | *A+* | *A* | *BBB+* | *BBB* | *US Treasury* | *Not Rated* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| Bonds and notes | 188 | 271 | 212 | 353 | 261 | 1 102 | 336 | 2 003 | 11 357 | 16 083 |
| **Total** | **188** | **271** | **212** | **353** | **261** | **1 102** | **336** | **2 003** | **11 357** | **16 083** |

| *31 December 2016* | *AAA* | *AA+* | *AA-* | *A+* | *A* | *BBB+* | *BBB* | *US Treasury* | *Not Rated* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| Bonds and notes | – | 263 | 208 | 326 | 368 | 1 222 | 231 | 1 954 | 10 086 | 14 658 |
| **Total** | **–** | **263** | **208** | **326** | **368** | **1 222** | **231** | **1 954** | **10 086** | **14 658** |

For other resources, the financial regulations and rules of UN-Women require that expenditures be incurred only after receipt of funds from the donor, thereby considerably reducing the financial risk to the organization with regard to contributions receivable.

### Liquidity risk

Liquidity risk is the risk that UN-Women will encounter difficulty in meeting its obligations associated with accounts payable, other liabilities and promised transfers of cash to programmes. UN-Women does not have significant liquidity risks, as its operations and investments are managed in accordance with its budget and with due consideration of cash requirements for operating purposes.

Investments are made with due consideration to cash requirements for operating purposes based on cash flow forecasting. The investment approach considers the timing of future funding needs of the organization when selecting investment maturities. UN-Women maintains a portion of its cash and investments in cash and cash equivalents (18 per cent) and current investments (26 per cent) sufficient to cover its commitments as and when they fall due, as shown in the table below and in notes 6 and 7.

(Thousands of United States dollars)

| | *31 December 2017* | *Percentage* | *31 December 2016* | *Percentage* |
|---|---|---|---|---|
| Cash balances | 26 245 | 7 | 7 534 | 2 |
| Cash equivalents | 44 931 | 11 | 93 445 | 24 |
| **Total cash and cash equivalents (net)** | **71 176** | **18** | **100 979** | **26** |
| **Investments** | | | | |
| Current investments | 104 163 | 26 | 171 792 | 44 |
| Non-current investments | 228 327 | 56 | 114 414 | 30 |
| **Total current and non-current investments** | **332 490** | **82** | **286 206** | **74** |
| **Total investments cash and cash equivalents** | **403 666** | **100** | **387 185** | **100** |

### Market risk

Market risk is the risk that UN-Women is exposed to potential financial losses owing to unfavourable movements in market prices of financial instruments, including movements in interest rates, exchange rates and prices of securities.

*Interest rate risk*

Interest rate risk arises from the effects of market interest rates fluctuations on:

(a) Fair value of financial assets and liabilities;

(b) Future cash flows.

A portion (13.3 per cent) of the Entity's investment portfolio is classified as available-for-sale investments that are carried at fair value through net assets/equity, which expose UN-Women to interest rate risk. However, a significant portion (86.7 per cent) of the investment portfolio is classified as held-to-maturity, which is not marked-to-market. Changes in interest rates do not have an impact on held-to-maturity book carrying values, and therefore changes in interest rates will have no significant impact on net assets and surplus or deficit reported in the financial statements.

UN-Women invests in United States dollar-denominated floating rate debt, which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2017, UN-Women had no outstanding floating rate fixed-income securities.

*Equity price risk*

In 2017 UN-Women held equity investments in its externally managed portfolio of after-service health insurance funds. The table below presents the price sensitivity of equity investments to a 5 per cent change in equity prices. The sensitivity pertains to equity investments classified as available-for-sale, which are marked to market through net assets/equity; changes in their prices would therefore have no impact on the UN-Women surplus or deficit.

(Thousands of United States dollars)

| | | *Impact on the financial statements* | |
|---|---|---|---|
| *31 December 2017 market value* | *Sensitivity variation* | *Net assets* | *Surplus or deficit* |
| 27 930 | 5 per cent increase | 1 397 | – |
| 27 930 | 5 per cent decrease | (1 397) | – |

*Foreign exchange risk*

UN-Women is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

UN-Women receives donor contributions primarily in United States dollars, but also in a number of major currencies, including pounds sterling, the euro, the Swedish krona and the Norwegian krone. On an ongoing basis, UN-Women evaluates its need to hold cash and other assets in foreign currencies against its foreign currency obligations during the quarterly meetings with the UNDP Treasury. UN-Women commenced a hedging strategy from March 2015.

At 31 December 2017, all investments of UN-Women were denominated in United States dollars. However, cash balances were held in several non-United States dollar currencies, representing 98.9 per cent of total cash balances.

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options to manage the Entity's foreign exchange exposure. These derivatives are marked-to-market with gains or losses recognized in surplus and deficit in the statement of financial performance. At 31 December 2017, UN-Women had open derivative positions (see note 10).

*Other price risk*

UN-Women is exposed to price risk arising from movement in the prices of financial instruments which might fluctuate owing to factors other than changes in interest rate or currency fluctuations. The conservative nature of the UNDP investment guidelines mitigates potential exposure to other price risk.

**Note 26**
**Budget reconciliation**

The statement of comparison of budget and actual amounts (statement V) is prepared in the same format as the original approved institutional budget for 2016–2017, with the additional inclusion of assessed contributions (regular budget activities). As the financial statements are prepared in accordance with IPSAS and the budget is prepared on the modified cash basis, the reported financial results (actual) are adjusted to provide for a comparison to the budget as presented in the statement of comparison of budget and actual amounts. The main changes between the IPSAS financial results and the results on a budget basis relate to difference in the treatment of cost of assets, staff-related accrued benefits and the treatment of cash advances to partners and staff members.

The integrated budget is prepared and presented on a biennial basis. The year 2017 represents approximately 50 per cent of the integrated budget for the biennium 2016–2017.

**(a) Regular budget activities — assessed contributions 2017**

For the year 2017, there is a total variance showing overexpenditures of $0.5 million owing to after-service health insurance reserve contributions (which UN-Women is required to make under its end-of-service liabilities funding plan, while the assessed budget only provides for a pay-as-you-go basis).

**(b) Development activities — voluntary contributions 2017**

**(i) Programme**

The original budgets were based on the original estimates used in the 2016–2017 integrated budget, which was based on total projected resources of $880 million in voluntary contributions for the biennial period. Total voluntary contributions originally budgeted for 2017 were $470 million.

Total programme variances are $5.4 million, split between regular and other resources as follows:

(a) Programme expenditures from regular resources are $1.5 million lower than the budget. For programmatic activities, project-level budgets are updated throughout the year, taking into account the most recent project deliverables and estimates of expenditure, within authorized spending limits. The project budgets are also aligned to the extent possible with the annual workplans. Differences between budgeted and actual expenditure are to be expected, as project scope, deliverables and milestones are subject to change over the course of the year and budget inputs such as personnel, goods and services as initially defined are modified accordingly. In addition, differences may also be due to the fact that personnel costs are budgeted

using pro forma (estimated) costs, whereas actual costs may be lower, and/or due to post vacancies. Actual delivery rates for the core programme averaged 93.8 per cent;

(b) Programme expenditures from other resources are $4.2 million lower than the budget. This difference may be the result of factors pertaining to the alignment of the total project budget with expected revenue for the year in situations where the revenue may not have been received before year-end owing to modifications in expected project deliverables and outputs, with the result that the revenue and modified project deliverables are carried forward to the following year. In addition, the difference may also be due to the fact that personnel costs are budgeted using pro forma (estimated) costs, whereas actual costs may be lower, and/or due to post vacancies. Projects funded from donor contributions are mostly multi-year, so the deliverables are subject to modification as required during the life cycle of the project, and unspent project resources are carried forward into the following year. The delivery rate averaged 87 per cent.

**(ii) Institutional budget (development effectiveness, United Nations coordination and management activities)**

The institutional budget comprises the following cost classification categories: development effectiveness; United Nations development coordination; and management activities, including evaluation. The original institutional budget for 2017 was prepared during the formulation of the 2016–2017 integrated budget based on total projected staff costs and full utilization of non-staff costs, while the final 2017 budget reflects updated staff pro forma costs. The lower-than-budgeted expenditures of $10.4 million are due mostly to lower actual staff costs than pro forma costs and post vacancies. The delivery rate for the institutional budget was 88.5 per cent. Any unspent budgets at the end of 2017 do not roll forward, as 2017 is the last year of the 2016–2017 biennium. The institutional budget is only available for spending during the budget biennium period to which the allocations relate. Unspent balances in the final year of the biennium revert to the account held by UN-Women, in accordance with financial regulation 18.3, and form part of the accumulated surplus of regular resources.

*Basis adjustments*

The budget is prepared on a modified cash basis and the financial statements are prepared on a full accrual basis in compliance with IPSAS requirements. In order to reconcile the budgetary result with the cash flow statement, the non-cash elements are removed as basis differences. The principal adjustments that have an impact on the reconciliation between the budget and the statement of financial performance are as follows:

- Capital expenditures capitalized and depreciated over their useful life under accrual accounting (generally recorded as current year expenses in the budget);
- Under accrual accounting, employee benefit liabilities are reported in the statement of financial position, and movements in liabilities have an impact on the statement of financial performance;
- Unliquidated obligations are included in budget reporting but are not recognized under accrual accounting.

*Timing differences*

There are no timing differences in the reconciliation.

*Presentation differences*

Presentation differences are those differences in the format and classification schemes used in the statement of cash flow and in the statement of comparison of budget and actual amounts. As such, the presentation differences in the reconciliation relate to revenue.

**Reconciliation: budgetary result with net cash flow**

(Thousands of United States dollars)

| | *Operating* | *Investing* | *Total* |
|---|---|---|---|
| Actual amount on comparable basis, as presented in the budget and actual comparative statement | (355 071) | – | (355 071) |
| Basis differences | (14 600) | (38 294) | (52 894) |
| Presentation differences | 378 250 | – | 378 250 |
| **Actual amount in statement of cash flow** | **8 579** | **(38 294)** | **(29 715)** |

## Note 27
## Related party transactions

### Governing bodies

UN-Women is governed by an Executive Board on the basis of General Assembly resolution 64/289, which stipulates in paragraph 57 (b) that the Assembly, the Economic and Social Council and the Executive Board of the Entity shall constitute the multi-tiered intergovernmental governance structure for the operational activities and shall provide operational policy guidance to the Entity. The Executive Board comprises 41 members (elected from five regional groups and one contributing group), who do not receive any remuneration from UN-Women.

The Executive Board of UN-Women also engages with the Executive Boards of other United Nations operational entities in an effort to harmonize approaches to operational activities. Those engagements also provide opportunities for sharing experiences and coordinating programme work on gender equality and gender mainstreaming throughout the United Nations system. The work of the Executive Board is guided by its rules of procedure.

### Key management personnel

Key management personnel are the Executive Director, two Assistant Secretaries-General and six senior Directors, as they have the authority for planning, directing and controlling the activities of the Entity and executing the mandate of UN-Women.

(Thousands of United States dollars)

| *Number of individuals* | *Compensation and post adjustment* | *Entitlements* | *Pension and health plans* | *Total remuneration 2017* | *Outstanding advances* | *Outstanding loans* |
|---|---|---|---|---|---|---|
| 9 | 1 831 | 95 | 759 | 2 685 | 34 | – |

The aggregate remuneration paid to key management personnel includes: net salaries; post adjustment; entitlements, such as allowances, grants and subsidies; and employer pension and health insurance contributions. Advances are those made against entitlements in accordance with staff rules and regulations. As at 31 December 2017, after-service health insurance, repatriation and death benefits for key

management personnel included in employee benefits liabilities amounted to $3.5 million, as determined by actuarial valuation.

## Note 28
## Commitments and contingencies

### (a) Open commitments

As at 31 December 2017, commitments of UN-Women for the acquisition of various goods and services contracted but not yet received amounted to $17.7 million.

### (b) Lease commitments

As at 31 December 2017, UN-Women had future obligations for minimal lease payments as presented in the table below.

(Thousands of United States dollars)

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| **Obligations for property leases:** | | |
| Within 12 months | 9 224 | 8 001 |
| 1–5 years | 20 153 | 21 656 |
| Beyond 5 years | 2 162 | 242 |
| **Total property lease obligations** | **31 539** | **29 899** |

The typical contractual leases of UN-Women are between 1 and 10 years, but some of the leases permit early termination within 30, 60 or 90 days. Leases often include provisions that allow for multiple renewals and are at rates considerably lower than the existing market rates. The aggregate difference between the leases at contract rates and their respective market rates is recognized as contribution-in-kind revenue.

### (c) Legal or contingent liabilities

As at 31 December 2017, UN-Women had no contingent liabilities.

## Note 29
## Events after the reporting date

The reporting date of UN-Women is 31 December of each year. The date of certification and transmittal of the financial statements is 30 April of the year after the financial year-end. On the date of signing these financial statements, there had been no material event, favourable or unfavourable, that had occurred between the balance sheet date and the date on which the financial statements were authorized for issue that would have affected the present statements.